北人印刷機械股份有限公司

# BEIREN PRINTING MACHINERY HOLDINGS LIMITED

(Stock Code : 0187 ; A Share Stock Code : 600860 )

# UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

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## I. IMPORTANT NOTICES

1. The board of directors of the Company, supervisory committee and the directors, supervisors and senior management (the"Directors") warrant that this report does not contain any false information, misleading statements or material omission and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the contents herein contained.

2. Mr. Deng Gang, a director of the Company, was unable to attend the Board meeting in person due to a business trip, and entrusted the chairman Mr. Wang Guohua in writing to vote on his behalf.

3. The financial statements of the interim report have not been audited.

4. Mr. Wang Guohua, the Chairman, Mr. Zhang Peiwu, the General Manager, and Mr. Jiang Jianming, Head of the Finance Department, have declared that they guarantee the truthfulness and completeness of the financial statements contained in the interim report.

# II. BASIC COPORATE INFORMATION

## (I) Basic corporate information

| | | |
|---|---|---|
| 1. Chinese name of the Company | : | 北人印刷機械股份有限公司 |
| Chinese abbreviation | : | 北人印刷 |
| English name of the Company | : | Beiren Printing Machinery Holdings Limited |
| English abbreviation | : | BR |
| 2. Place of listing of Company's A Shares | : | Shanghai Stock Exchange |
| A Share short name | : | 北人股份 |
| A Share securities code | : | 600860 |
| Place of listing of Company's H Shares | : | The Stock Exchange of Hong Kong Limited |
| H Shares short name | : | Beiren Printing |
| H Shares stock code | : | 187 |
| 3. Registered address | : | No. 6 Rong Chang Dong Street, Economic and Technological Development Zone, Beijing, the PRC |
| Office address | : | No. 6 Rong Chang Dong Street, Economic and Technological Development Zone, Beijing, the PRC |
| Postal code | : | 100176 |
| Internet website | : | http://www.beirengf.com.cn |
| Email address | : | beirengf@beirengf.com |
| 4. Legal representative | : | Mr. Wang Guohua |
| 5. Secretary to the Board of Directors | : | Madam Jiao Ruifang |
| Telephone number | : | 86-010-67802565 |
| Facsimile number | : | 86-010-67802570 |
| Email address | : | beirengf@beirengf.com |
| Correspondence address | : | No. 6 Rong Chang Dong Street, Beijing Economic and Technological Development Zone, Beijing, the PRC |
| 6. Newspapers designated for dissemination of the Company's information | : | Shanghai Securities News<br>Hong Kong Economic Times<br>The Standard |
| Internet websites for publishing the Company's Interim Report | : | http://www.sse.com.cn<br>http://www.hkex.com.hk<br>http://www.beirengf.com |
| Place for Inspecting the Company's Interim Report | : | No. 6 Rong Chang Dong Street, Beijing Economic and Technological Development Zone, Beijing, the PRC<br><br>26/F, Jardine House, Central, Hong Kong |
| 7. Other basic information | | |
| Other related information | | |
| Date of first business registration of the Company | : | 13 July 1993 |
| Place of first business registration of the Company | : | Chaoyang District, Beijing, the PRC |
| Date of change in business registration of the Company | : | 24 December 2003 |
| Place of change in business registration of the Company | : | Beijing, the PRC |
| Business registration number | : | 1100001501595 |
| Tax registration number | : | Jing Guo Shui Chao Zi 110105101717457 |
| Domestic auditors of the Company | : | Deloitte Touche Tohmatsu CPA Ltd |
| Address of domestic auditors of the Company | : | 8/F, Office Tower W2, The Towers, Oriental Plaza, 1 East Chang An Avenue Beijing, the PRC |
| Overseas auditors of the Company | : | Deloitte Touche Tohmatsu |
| Address of overseas auditors of the Company | : | 35/F One Pacific Place |
| | : | 88 Queensway Hong Kong |
| Domestic legal adviser of the Company | : | China Kang Da Law Office |
| Address of domestic legal adviser of the Company | : | No. 19, Jianguomenwai Dajie, Chaoyang District, Beijing, China |
| Overseas legal adviser of the Company | : | Woo, Kwan, Lee & Lo |
| Address of overseas legal adviser of the Company | : | 26/F, Jardine House, Central, Hong Kong |
| Reception of shareholder enquiries | : | 10th and 20th of each month (or on the following business day if it falls on a public holiday) (Closed on Saturdays and Sundays) 9:00-11:00a.m. 2:00-4:00p.m. |

## (II) Major financial data and indices

### 1. Major accounting data and financial indices

*Unit: RMB*

| | This period | For the same period last year | Increase(+)/ decrease(-) % |
|---|---|---|---|
| Total assets | 2,208,401,888.28 | 2,130,944,519.93 | 3.63 |
| Owners' equity (or Shareholders' equity) | 1,161,802,295.31 | 1,150,500,212.42 | 0.98 |
| Net assets per share | 2.75 | 2.73 | 0.73 |

| | For the reporting period (Jan - Jun) | For the same period last year | Increase(+)/ decrease(-) % |
|---|---|---|---|
| Operating profit | 8,230,853.84 | 17,288,421.49 | -52.39 |
| Total profit | 10,067,945.91 | 17,153,451.19 | -41.31 |
| Net profit | 11,221,224.96 | 14,240,695.71 | -21.20 |
| Net profit after extraordinary items | 9,576,413.96 | 10,424,108.97 | -8.13 |
| Basic earnings per share | 0.027 | 0.034 | -20.59 |
| Diluted earnings per share | | | |
| Return on net assets (%) | 0.97 | 1.24 | Decrease 0.27 percentage points |
| Net cash flow from operating activities | 26,783,180.64 | (1,713,486.78) | 1,663.08 |
| Net cash flow per share from operating activities | 0.063 | -0.004 | 1,675.00 |

### 2. Extraordinary items

*Unit: Rmb*

| Extraordinary items | Amount |
|---|---|
| Profit (loss) from disposal of non-current assets | -191,580.85 |
| Net non-operating income/expenses save for the above | 2,028,672.92 |
| Reversal of provision for impairment for previous years | 305,350.00 |
| Impact from other extraordinary income | -275,563.81 |
| Impact on minority interest from other extraordinary profit (loss) | -222,067.26 |
| Total | 1,644,811.00 |

### 3. Differences between the PRC and international accounting standards

| | Net profit | | Shareholders' equity | |
|---|---|---|---|---|
| | This period *Rmb'000* | For the same period last year *Rmb'000* | Opening *Rmb'000* | Closing *Rmb'000* |
| As reported under the PRC accounting standard | 10,635 | 13,866 | 1,207,678 | 1,200,150 |
| Adjusted under HK GAAP: | | | | |
| Difference in valuation of net assets contributed to the Company by Beiren Group Corporation | | — | (60,198) | (60,198) |
| Subsequent adjustment on net assets contributed by Berien Group Corporation | 33 | 33 | 48,309 | 48,277 |
| Difference in valuation of assets contribution to subsidiaries | 16 | 16 | (243) | (259) |
| Differences in recognition of deferred tax assets/ liabilities | (1,786) | 839 | — | 1,786 |
| Difference in recognition of good will upon acquisition of subsidiaries | — | — | 4,479 | 4,479 |
| Difference in amortization of good will upon acquisition of subsidiaries | — | — | (1,344) | (1,344) |
| Difference in recognition of compensation for dismissed employee | — | (3,865) | — | — |
| Other | (259) | (658) | (194) | 63 |
| Prepared under HK GAAP | 8,639 | 10,231 | 1,198,487 | 1,192,954 |

Explanation on the difference:

During the year, the impact of differences between the PRC and international accounting standards on the net profits of the Company was Rmb1,996,000. The main differences are as follows:

1. **Consequential adjustment on assets contributed by Berien Group Corporation**

   In accordance with HK GAAP, the land contributed by Beiren Group Corporation into the Company was accounted for as capital reserve. In accordance with PRC accounting standards, the amount was recorded as the increase in long term deferred expenses. Accordingly, the HK accountant wrote back the related amortization charge of approximately RMB33,000 this year in the accounts of the Company.

2. **Difference in valuation of assets contributed to subsidiaries**

   In accordance with HK GAAP, the intangible assets invested by the Company into the subsidiaries with original cost of Rmb4,624,000 were wrote off in relevant years. In accordance with PRC accounting standards, the intangible assets were stated as assets of the Group. Accordingly, the HK accountant wrote back the related amount of amortization of Rmb16,000 this year in the accounts of the Company.

3. **Difference in recognition of deferred tax**

   Pursuant to The Enterprise Income Tax Law of The People's Republic of China, the enterprise income tax rate will be 25% with effect from 1 January 2008. Therefore, the tax rate that was adopted in the period and expected to be reversed has been changed.

# (III) MOVEMENT OF SHAREHOLDER'S EQUITY AND INFORMATION OF SHAREHOLDERS

## 1. Change in shareholding

During the reporting period, there was no change in the total number of shares and share capital of the Company.

## 2. Shareholders

*i. Number of shareholders and their shareholding*

*Unit: share*

| | |
|---|---|
| Total number of shareholders at the end of the reporting period | 31,772 (including: 31,683A share holders, 89 H share holders) |

**Particulars of top ten shareholders**

| Name of shareholder | Nature of shareholder | Percentage to share capital (%) | Number of shares held | Increase/ decrease year-on-year | Number of shares subject to trading moratorium | Number of Shares pledged or frozen |
|---|---|---|---|---|---|---|
| Beiren Group Corporation | State-owned shareholder | 52.76 | 222,640,000 | 0 | 201,540,000 | Unknown |
| HKSCC NOMINEES LIMITED | Foreign shareholder | 23.31 | 98,367,199 | 702,000 | 0 | Unknown |
| Huafu Competitiveness Selected Mixed Securities Investment Fund | Unknown | 0.32 | 1,343,000 | 1,343,000 | 0 | Unknown |
| Zhang Bizhen | Unknown | 0.17 | 720,000 | 720,000 | 0 | Unknown |
| HSBC NOMINEES (HONG KONG) LIMITED | Foreign shareholder | 0.17 | 702,000 | 0 | 0 | Unknown |
| Li Yanyan | Unknown | 0.12 | 500,000 | 500,000 | 0 | Unknown |
| Li Jingming | Unknown | 0.12 | 500,000 | 500,000 | 0 | Unknown |
| Hao Li | Unknown | 0.11 | 450,000 | 450,000 | 0 | Unknown |
| Liu Zhimei | Unknown | 0.10 | 417,144 | 417,144 | 0 | Unknown |
| Li Guilan | Unknown | 0.09 | 380,000 | 40,000 | 0 | Unknown |

**Particulars of top 10 holders of shares not subject to trading moratorium**

| Name of shareholder | Number of circulating shares held | Class of shares |
|---|---|---|
| HKSCC NOMINEES LIMITED | 98,367,199 | Foreign shares listed overseas |
| Beiren Group Corporation | 21,100,000 | Renminbi ordinary shares |
| Huafu Competitiveness Selected Mixed Securities Investment Fund | 1,343,000 | Renminbi ordinary shares |
| Zhang Bizhen | 720,000 | Renminbi ordinary shares |
| HSBC NOMINEES (HONG KONG) LIMITED | 702,000 | Foreign shares listed overseas |
| Li Yanyan | 500,000 | Renminbi ordinary shares |
| Li Jingmin | 500,000 | Renminbi ordinary shares |
| Hao Li | 450,000 | Renminbi ordinary shares |
| Liu Zhimei | 417,144 | Renminbi ordinary shares |
| Li Guilan | 380,000 | Renminbi ordinary shares |

| | |
|---|---|
| The explanation of the connected relation and action in concert among the aforesaid shareholders | The Company is not aware of any connected relationship among the top ten holder of circulating shares, nor the Company is aware of any parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders. |

*Notes:*

(1) HKSCC Nominees Limited held shares on behalf of its clients and the Company has not been notified by HKSCC Nominees Limited that there was any holder of H Shares who separately held 5% or more of the total share capital of the Company.

(2) Save as disclosed above, as at 30 June 2007, Directors are aware, none of the persons (not being a Director, supervisor or chief executive of the Company) has any interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

(3) There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.

(4) As at 30 June 2007, the Company did not issue any convertible securities, options, warrants or any other similar right.

**Particulars of Shares held by Top 10 Holders of Shares subject to Trading Moratorium and Trading Moratorium**

*Unit: share*

| | | | Particulars of Shares subject to Trading Moratorium available for listing and trading | | |
|---|---|---|---|---|---|
| **No.** | **Name of holder of shares subject to trading moratorium** | **No. of shares subject to trading moratorium held** | **Trading moratorium expires on** | **No. of additional shares available for listing and trading after expiring of trading moratorium** | **Trading moratorium** |
| 1 | Beiren Group Corporation | 222,640,000 | 31 March, 2007 | 21,100,000 | it will not trade or transfer the non-circulating shares held by it within 12 months from the date of implementation of the Share Segregation Reform Proposal; within 12 and 24 months, subsequent to the aforesaid period, the number of the originally non-circulating shares subsequently listed for trading on the stock exchange will not exceed 5 per cent and 10 per cent, respectively, of the total number of shares of the Company; within the aforesaid period, the selling price of such shares subsequently listed on the stock exchange will not be lower than 110% (RMB4.29/ share) of the weighted average price of 30 trading days before the announcement of the Share Segregation Reform Proposal. |
| | | | 31 March, 2008 | 42,200,000 | |
| | | | 31 March, 2009 | 222,640,000 | |

2. ***Changes in status of controlling shareholder and beneficial controller***

There was no change in the controlling shareholder and the beneficial controller of the Company during the reporting period.

# IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT STAFF

## (1) Changes in shareholding of directors, supervisors and senior management staff

*Unit: share*

| Name | Position | Shareholdings at the beginning of the year | Increase in the no. of shares held in this reporting period | Decrease in the no. of shares held in this reporting period | No. of Shareholding at the end of reporting period | Reason for the change |
|---|---|---|---|---|---|---|
| Wang Guo Hua | Chairman | 1,656 | 0 | 0 | 1,656 | — |
| Lu Changa | Vice Chairman | 6,624 | 0 | 0 | 6,624 | — |
| Zhang Peiwu | Director and General Manager | 0 | 0 | 0 | 0 | — |
| Yu Baogui | Director | 5,796 | 0 | 0 | 5,796 | — |
| Jiang Jianming | Director, Chief Accountant | 0 | 0 | 0 | 0 | — |
| Yang Zhendong | Director, Chief Engineer | 0 | 0 | 0 | 0 | — |
| Deng Gang | Director | 0 | 0 | 0 | 0 | — |
| Wu Wenxiang | Independent Direcotr | 0 | 0 | 0 | 0 | — |
| Hu Kuangzuo | Independent Direcotr | 0 | 0 | 0 | 0 | — |
| Li Yijing | Independent Direcotr | 0 | 0 | 0 | 0 | — |
| Shi Tiantao | Independent Direcotr | 0 | 0 | 0 | 0 | — |
| Xiao Maolin | Director, Chairman of Supervisory Committee | 0 | 0 | 0 | 0 | — |
| Bi Kexin | Supervisor | 1,000 | 0 | (1,000 ) | 0 | Shares sold |
| Tien Furen | Supervisor | 5,658 | 0 | (1,400 ) | 4,258 | Shares sold |
| Jiao Ruifang | Company secretary to the Board | 0 | 0 | 0 | 0 | — |
| Kong Dagang | Deputy General Manager | 0 | 0 | 0 | 0 | — |
| Liu Jing | Deputy General Manager | 0 | 0 | 0 | 0 | — |

*Note:* (1) Save as disclosed above, none of the directors, supervisors and senior management of the Company, as at 30 June 2007, had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO), which was required to be recorded in the register under section 352 of the SFO, nor which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers

(2) None of the directors, supervisors and senior management of the Company or the respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or had exercised any such right as at 30 June 2007.

(3) Save as those set out in the register required to be maintained by directors and supervisors under section 352 of the SFO, during the reporting period, the Company did not engage in any arrangement which would enable the directors or supervisors of the Company or their respective associates to acquire any interest in any shares or debt securities of the Company by the purchase of any other corporation, nor did the directors or supervisors had any interest which was required to be recorded in the register under section 352 of the SFO.

## (2) Appointment or dismissal of directors, supervisors and senior management staff

During the reporting period, it was considered and resolved at the annual general meeting held by the Company that, the appointment of Mr. Zhang Peiwu as a director of the Company, Mr Zhu Wuan shall cease to act as director. The fifth Board considered and resolved at the twelfth meeting for the appointment of Ms. Jiao Ruifang as the secretary to the Board, Mr. Kung Dagang, Mr. Liu Jing as the Deputy General Managers, and Ms. Rong Peimin shall cease to act as the secretary to the Board.

## (3) Employees

As at 30 June 2007, the Company had 2,672 staff, of which production staff accounted for 60.6%, sales staff for 5%, technical staff for 11.8%, financial staff for 2%, management staff for 12.3% and other for 8.3%. The Company provides the staff with regular training on aspects such as skills in the jobs, operational management, financial knowledge and policies and regulations.

# V. DIRECTORS' REPORT

## (1) Discussion and analysis of overall operation during the reporting period

In the first half of 2007, the Company's operation results improved through the elaborate reforms in system, mechanism, and operation mode, systems such as research and development, sales, manufacturing, finance, human resources, information infrastructure were streamlined, with concerted effort of all staff. During the reporting period, in accordance with the PRC Accounting Standard, the operating income amounted RMB555,300,000[Note], net profit amounted RMB11,220,000, the turnover amounted RMB546,540,000, net profit amounted RMB9,490,000 [Note] under Hong Kong Accounting Standard.

(*Note:* Net Profit prepared under PRC Accounting Rules and Regulations and Hong Kong Accounting Standard were net profit attributable to owners of the parent company.

## (2) Review of the first half of 2007

1. Led by strategic approach in pursuit of corporate value growth

   During the reporting period, with the strategic vision, mission and objectives ahead, the Company actively promoted strategic implementation, took a comprehensive budget as a strategic foothold for the 11th Five-Year Plan, linked strategies, budget to the evaluation of senior management's performance, and entered into "senior management's performance contract" with the all senior management staff as an effective measure to ensure the performance of directors' undertakings and the implementation of strategies.

2. Implementation of management reforms and restructuring company organization

   With a view to establishing a mechanism which is customer-oriented and quick to respond to market, the Company actively promoted reforms in management, company restructuring conducted at the beginning of the year, with the aim of reducing the management hierarchies, being profit-oriented and professional.

   Currently, the effectiveness of the new flattened matrix management model has been emerging. The brand new evaluation system will be fully implemented, which will closer link up technology, production and sales, the rationale of management reforms will fully be demonstrated. Also each task is set to take off.

3. Strengthening research and development and innovation in upscale products for fulfilling customers' requirements

   According to the confirmed product positioning of preferential development and nurturing development product mix strategy in the Eleventh Five-Year Plan, along with the grounds of the responsibility of producing market-driven products, they will fully demonstrate the predominant factors of technology by raising the product stability and reducing the product cost simultaneously. Among which, modifications were made in products such as BEIREN300, and BEIREN600, with effective results achieved.

4. Driven by performance evaluation, promoted sales management work

   On the basis of accomplishing the reforms in the structure of marketing company, ongoing improvements in internal mechanism, pioneering in implementing KPI evaluation, which provided the sales force more clearly defined objectives, responsibilities and profit distribution, as well as motivating their initiatives. In an effort to expand the market, the Company actively participated in printing machinery trade fairs in the first half of 2007, and highly acclaimed by the customers.

5. Corporate information management standard elevated to build a reporting system

   In an attempt to elevate the information management standard, the Company built up a reporting system for managing information in accordance with the Eleventh Five-Year Plan, which includes the four major systems of industry analysis report, market analysis report, financial and internal operation report and technology analysis report. Meanwhile, the OA (office automation) platform and CRM (customer relationship management) system had favourable changes.

## (3) Scope and status of principal operations

1. Scope of principal operations:

   Development, design, production, sale of printing presses, pressing machines, packing machines, business forms printing presses, commercial revolving presses, commercial soft cover presses, intaglio presses, the parts and components for the aforesaid machines; technical consultancy, technical support; own export and export of member enterprises' self-produced products and technology; import of raw and auxiliary materials, instruments and meters, machines, parts and components and technology (apart from those products restricted by the State from operating by enterprises and those from being imported and exported) for production of own enterprises and member enterprises; processing on customer-supplied materials and "processing raw materials on clients' demands, assembling parts for clients and processing according to clients' samples or compensation trade".

2. Principal operation by sector and product

*Currency: RMB*

| Product | 2007 interim results Operating income | 2007 interim results Operating cost | Gross profit margin (%) | Increase (/Decrease) in operating income (%) | Increase (/Decrease) in operating cost (%) | Increase (/Decrease) in gross profit margin (%) |
|---|---|---|---|---|---|---|
| Sales of Sheet-fed paper | 290,410,710.30 | 237,169,914.69 | 18.33 | 19.45 | 20.08 | -0.43 |
| Sales of Web-fed paper | 124,013,139.39 | 91,830,023.93 | 25.95 | -5.52 | -0.60 | -3.66 |
| Sales of Intrusion printers | 91,435,730.54 | 66,364,173.70 | 27.42 | 1.13 | -4.46 | 4.25 |
| Sales of Form presses | 15,606,837.60 | 13,575,579.64 | 13.02 | -50.17 | -47.09 | -5.05 |
| Printing services | 12,493,521.79 | 9,303,417.18 | 25.53 | 48.26 | 51.82 | -1.75 |
| Spare parts | 13,137,925.13 | 9,347,293.20 | 28.85 | 98.94 | 114.81 | -5.26 |
| Others | 3,010,678.53 | 1,719,751.54 | 42.88 | -11.09 | -23.82 | 9.55 |
| | 550,108,543.28 | 429,310,153.88 | 21.96 | 6.92 | 7.93 | -0.74 |

Including: During the reporting period, the amount of products sold in the connected transactions from the Company to the controlling shareholders and its subsidiaries totaled RMB1,239,316.24.

3. Principal operation by geographical segment

*Currency: RMB*

| Region | Operating income | Increase (/decrease) in operating income year on year(%) |
|---|---|---|
| PRC | 509,231,907.66 | 3.63 |
| Outside PRC | 40,876,635.62 | 76.82 |
| Total | 550,108,543.28 | 6.92 |

## (4) Investment

1. Use of proceeds

The initial raised proceeds of the Company had been used up as at 31 December 1998. The second raised proceeds had also been used up as at 31 March 2003. No utilisation of proceeds subsisted in this reporting period.

2. Projects financed by non-raised fund

No project financed by non-raised fund in this reporting period.

## (5) BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's income and results are mainly attributable to sales and manufacture of printing presses in mainland China, income from other business and overseas and operating results are insignificant, hence no segment analysis of financial information is presented.

## (6) Profit before taxation (Prepared under accounting principles generally accepted in Hong Kong ("HK GAAP"))

| | For the six months ended on 30 June | |
|---|---|---|
| | **2007** | 2006 |
| | ***RMB'000*** | *RMB'000* |
| Profit before taxation<br>The following items were deducted (charged)<br>from the profit before taxation of this period: | | |
| Depreciation and amortization | **24,573** | 22,807 |
| Share of PRC income tax of associates | **190** | 101 |
| Interest income | **(662)** | (541) |
| Loss/(Gain) from disposal of property, plant and equipment | **192** | 152 |
| Reversal of impairment loss from land and property (Note) | **—** | (3,500) |
| Income from disposal of a subsidiary and an associate | **(1,595)** | — |

## (7) Taxation (Prepared under accounting principles generally accepted in Hong Kong ("HK GAAP"))

| | For the six months ended on 30 June | |
|---|---|---|
| | **2007** | 2006 |
| | ***RMB'000*** | *RMB'000* |
| PRC income tax provision for this period | **504** | 3,307 |
| Deferred tax charge | **715** | (841) |
| | **1,219** | 2,466 |

In accordance with the relevant rules and regulations in the PRC, the PRC subsidiaries of the Group's (not including the Company) are subject to PRC income tax levied at a rate of 33%, except for Beijing Beiren Fuji Printing Machinery Company Limited and Shanxi Beiren Printing Machinery Company Limited which are taxed at 12% and 15%, respectively.

According to the Notice No. [2007] 664 announced by the State Administration of Taxation on 19 June 2007, the State Administration of Taxation demanded an immediate correction by its local tax offices on the special preferential income tax policies granted to those nine listed companies (including the Company) whose shares were approved for listing in The Stock Exchange of Hong Kong Limited by the State Council in 1993, which should already be expired and no longer applied. The difference in the income tax resulting from the application of the expired special preferential income tax policies in previous years shall be dealt with pursuant to the relevant regulations of the Law of the People's Republic of China Concerning the Administration of Tax Collection. At this stage, the relevant implementation rules have not yet been announced and the Company is still in the process of communication with the local tax office regarding this matter. The Company is still subject to PRC income tax levied at a rate of 15% in current interim period. Accordingly, the directors of the Company consider that the amount of the potential exposure cannot be estimated reliably, and therefore, no provision has been recognized as at the balance sheet date.

Pursuant to the No. 63 Decree of the President of the People's Republic of China, the Corporate Income Tax Law of the People's Republic of China promulgated on March 16 2007, from 1 January 2008, the corporate income tax rate will change from 33% to 25%. Hence, the deferred tax has been adjusted according to applicable tax rate for the estimation periods of the realization of the deferred assets and discharge of deferred liability.

The Group has no material tax liability in other places.

## (8) Dividend and distribution

No dividend was distributed in this period.

The Board shall not propose to distribute any interim dividend.

## (9) Basic earnings per share (Prepared under accounting principles generally accepted in Hong Kong ("HK GAAP"))

The calculation of earnings per share for the period is based on the net profit for the period attributable to the ordinary equity holders of the parent of RMB9,487,000 (2006: RMB9,894,000) and the number of 422,000,000 shares in issue during the period (2006: 422,000,000 shares).

## (10) Liquidity and sources of capital (Prepared under accounting principles generally accepted in Hong Kong ("HK GAAP"))

For the six months ended on 30 June 2007, the Group's net cash outflow amounted RMB16,382,000.

On 30 June 2007, the Group obtained new bank loans amounting to RMB263,430,000. (2006: RMB243,218,000). During the reporting period, it repaid the loan of RMB204,516,000 in the same period (2006: RMB180,451,000) received in previous years. The aforesaid new loan bear interest at market rates.

The gearing ratio of the Group as at 30 June 2007 was 45.45% calculated on its total liabilities and total assets.

## (11) Share capital

| | **Amount** |
|---|---|
| | *RMB'000* |
| Share capital registered, in issue and fully paid: | |
| As at 1 January 2006, 30 June 2006, 31 December 2006 and 30 June 2007 | |
| 322,000,000 A shares with par value of RMB1.00 | 322,000 |
| 100,000,000 H shares with par value of RMB1.00 | 100,000 |
| | 422,000 |

## (12) Exposure to fluctuations in exchange rates and any related hedges

Transactions of the Company are mainly dominated in Renminbi, Hong Kong dollars or US dollars. The risk of exposure to fluctuations in exchange rates is comparatively low. Therefore, no financial instruments are used by the Company for hedging the exchange rate risk.

## (13) Contingent liabilities

As at 30 June 2007, the Company did not have any material contingent liabilities.

## (14) Business outlook for the second half of 2007

Owing to the operation and growth speed of macro-economy turned from relatively fast to overheated, with the factors of too large of the trade surplus, rapid growth of investment, excess liquidity, and various economic operation indices, it is expected the State would maintain the stabilising, perfecting and implementing the macro-control measures, which includes interest rate hike, adjusting export tax rebate, increasing the resource price, suppressing the investment in fixed assets. By considering the development of the upstream of presses, printing industry, the industry of book, magazine and newspaper publishing showed a growing trend, at a slow speed though. For packaging and decoration, commercial printing, they have a greater growing potential. With such an impact, press machinery industry has begun to pick up gradually. In the second half of 2007, the Company will encounter a situation with both opportunities and challenges. For this condition, the Company will focus in the following tasks.

1. Strengthening the implementation of strategies to ensure the fulfilment of tasks for the year

   In the second half of 2007, the Company will leverage the opportunities of management reforms, regard the performance evaluation as a drive and the comprehensive budget as standard, so as to perform the strategic tasks in the Eleventh Five-Year Plan, as well as to conduct evaluation and amendments regularly in the execution process, in order to ensure the fulfilment of of the tasks for the whole year.

2. Increasing the standard of corporate governance and tightening the internal control

   The Company will further improve the internal control system according to the Guidelines on Internal Control for Companies Listed on the Shanghai Stock Exchange, to enhance the ability in corporate governance and risk management. The Company will tighten the controllability in bills receivables, inventory control, procurement and so forth. Meanwhile, pursuant to the Company's strategic requirements in Eleventh Five-Year Plan, the strategic synergy with the subsidiaries and business control will be strengthened.

3. Developing the international market actively to nurture the international operation capability

   The international target markets will be further defined, on the basis of realizing the current export products, ways and approach for internationalized development of Beiren will be explored. The key products of the Company will be sold to overseas market to increase the operation capability on internation level of the relevant departments, so that a solid foundation will be laid for realizing the international development.

4. Accelerating the product research and development to satisfy market needs

   In the second half of 2007, the Company will press ahead in high-end products, the Company will further implement the standardization of design, meanwhile, resources for research and development will be consolidated to accelerate its pace. Greater effort will be made in respects such as product stability, automation, mult-purpose, and enviromental-friendliness, to increase customers' satisfaction and firmly establish its brand image.

5. Strengthenig the production management to further reduce the product cost

   After the reform in organsational structure, an optimized production management system will be established, management of production plan and process control of each level will be reinforced. On the basis of digitalized management, digitalized assembly, digitalized instruction, the Company realize the automatic digitalized assembly line, so that it will maintain the consistency and reduce the cost and increase the productivity.

# VI. SIGNIFICANT EVENTS

## (1) Corporate governance

During the reporting period, the Company operation complied with the regulations. Pursuant to the requirements in the "Circular on the Issues concerning Developing the Special Activities for Strengthening the Corporate Governance of Listed Companies" (Document No.28 [2007], CSRC Company), the Company upheld the principle of integrity, strictly observed "Company Law" and "Securities Law" and so forth, administrative regulations as well as the internal rules including "Articles of Associations" and rules of procedures for meetings, also undertook a serious self assessment with reference to the requirements in the Circular line by line, and formed a plan of self assessment report and rectification plan. The report was passed at the sixteenth meeting of the fifth Board. After the self assessment and rectification, the level of corporate governance has been further uplifted.

During the reporting period, Shanghai Stock Exchange fully revised "The Regulations on Information Disclosure of Listed Companies".

## (2) Implementation of profit distribution plan during the reporting period

1. There was no such condition during the reporting period.

2. There will be no profit distribution plan and no plan to convert surplus reserves into share capital in the half year of 2007.

## (3) MATERIAL LITIGATION AND ARBITRATION

During the reporting period, the Company was not engaged in any material litigation or arbitration.

## (4) Assets Transactions

During the reporting period, the Company has no acquisition, disposal, merger or takeover of assets.

## (5) Connected Transactions

**Non-operating connected debts and liabilities**

*Unite: RMB*

| Name of connected party | Connection | Capital provided to connected parties: Incurred amount | Capital provided to connected parties: Balance | Capital providedto the Company by connected parties: Incurred amount | Capital providedto the Company by connected parties: Balance |
|---|---|---|---|---|---|
| Beiren Group Corporation | Controlling shareholder | 0 | 0 | 0 | 14,996,324.25 |
| Total | — | 0 | 0 | 0 | 14,996,324.25 |

During the reporting period, the amount provided by the Company to the controlling shareholders and its subsidiaries was Rmb0. The balance of funds provided by the Company to the controlling shareholders and its subsidiaries was Rmb0. Connected debts and liabilities arose due to amount payable to Beiren Group Corporation Arising from the acquisition of four plants in 2000, namely the current subsidiaries of rolling paper.

## (6) CUSTODY

During the reporting period, the Company had no custody.

## (7) CONTRACTING

During the reporting period, the Company had no contracting.

## (8) LEASES

During the reporting period, the Company had no leases.

## (9) GUARANTEES

During the reporting period, the Company had no guarantees.

## (10) ASSET MANAGEMENT ON TRUST

During the reporting period, the Company had no asset management on trust.

## (11) PERFORMANCE OF UNDERTAKINGS

The undertakings made by the holder of non-circulating shares of the Company during the Share Segregation Reform and the performance

| Name of Shareholder | Undertakings | Performance |
|---|---|---|
| Beiren Group Corporation | The sole holder of non-circulating shares of the Company undertakes (1) it will not trade or transfer the non-circulating shares held by it within 12 months from the date of implementation of the Share Segregation Reform Proposal; (2) within 12 and 24 months, subsequent to the aforesaid period, the number of the originally non-circulating shares subsequently listed for trading on the stock exchange will not exceed 5 per cent and 10 per cent, respectively, of the total number of shares of the Company; (3) within the aforesaid period, the selling price of such shares subsequently listed on the stock exchange will not be lower than 110% (RMB4.29/ share) of the weighted average price of 30 trading days before the announcement of the Share Segregation Reform Proposal; and (4) any dividend payment, bonus issue and capital reserve fund conversion to share capital that constituted to the suspension of trading rights and dividend from the date of implementation of the Share Segregation Reform Proposal till the disposal of shares shall be subject to the suspension of the trading rights. | Implemented according to the undertakings |

## (12) During the reporting period, the Company re-appointed Deloitte Touche Tohmatsu Certified Public Accountants and Deloitte Touche Tohmatsu Certified Public Accountants of Hong Kong as its auditors.

## (13) The punishment and rectification of the company, and its directors, supervisors, senior management, shareholders of the Company and beneficial controllers

During the reporting period, none of the Company and its Board and directors was subject to checks, administrative punishments, public criticism by CSRC. Nor were they publicly reprimanded by the stock exchange.

## (14) Other significant events

1. Income tax

   On May July 2007, the Company was acknowledged through the media a notification issued by the State Administration of Taxation demanding the local taxation authorities to correct the execution of the expired preferential tax policy immediately which are still being applied to the nine listed companies. The differences in income tax resulted from the application of the expired preferential tax policy in the previous years should be dealt with pursuant to the relevant regulations of Law on the Administration of Tax Collection (税收徵收管理法). As such, the Company published a notice in respect of the issue on the Shanghai Stock Exchange and Hong Kong Stock Exchange on 6th July 2007. As at the date of which this announcement is disclosed, the Company had not yet received any notification demanding an adjustment of its income tax rate. Hence, the Company will continue to implement an income tax rate of 15% during the reporting period, which remains the same as the previous financial year.

   During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law to the Company cannot be reasonably estimated at this stage.

2. During the reporting period, the liquidation of Beiren Taihe Printing Machinery Factory, a subsidiary of the Company, and Liaoning Beiren Printing Machinery Operation and Sale Company Limited, an associated of the Company, have been completed.

3. Deposits and loans

   The deposit of Rmb5 million placed with Ying Peng Cooperative Credit Union, Bai Yin, Gansu Province was not recovered and were in the process of liquidation by relevant authorities. The deposit represents approximately 0.4% of the Company's net assets and hence will cause no material effect to the Company's operations. The Company has made a provision for the loss amounting to Rmb5 million.

4. Audit Committee

   The unaudited 2007 Interim Report has been reviewed by the Audit Committee of the Board of Directors

5. Code on Corporate Governance Practices

   During the reporting period, the Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company has not identified and appointed an appropriate candidate of qualified accountant being a fellow or associate member of the Hong Kong Institute of Certified Public Accountants as required by Rule 2.24 of the Listing Rules.

6. Model Code for securities transactions by Directors and Supervisors

   During the reporting period, the Company has adopted a set of code of practice regarding securities transactions by Directors and supervisors on terms no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Appendix 10 to the Listing Rules. Having made specific enquiry to all Directors and supervisors of the Company, each of the Directors and supervisors has complied with the required standards set out in the Model Code within the 6 months ended 30 June 2007.

7. During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

## 15. Access to Discloseable Information

| Events | Name and page of the publication | Date of Publishing | Websites and search path |
|---|---|---|---|
| Announcement of Resolution passed in the 12th meeting of the fifth board of directors | Shanghai Securities News (D9), Hong Kong Economic Times, The Standard | 1 March 2007 | Shanghai Stock Exchange http://www.sse.com.cn Hong Kong Stock Exchange http://www.hkex.com.hk |
| Announcement on change of principal place of business in Hong Kong and clarification announcement on estimated results | Shanghai Securities News (D7), Hong Kong Economic Times, The Standard | 21 March 2007 | Shanghai Stock Exchange http://www.sse.com.cn Hong Kong Stock Exchange http://www.hkex.com.hk |
| Estimated Loss in Results for the First Quarter of 2007 | Shanghai Securities News (D5), Hong Kong Economic Times, The Standard | 11 April 2007 | Shanghai Stock Exchange http://www.sse.com.cn Hong Kong Stock Exchange http://www.hkex.com.hk |
| 2006 Annual Report Summary, announcement for resolutions passed at the 14th meeting of the fifth board of directors, announcement of resolutions passed by the supervisory committee | D36 of Shanghai Securities News, Hong Kong Economic Times, The Standard | 25 April 2007 | Shanghai Stock Exchange http://www.sse.com.cn Hong Kong Stock Exchange http://www.hkex.com.hk |
| 2007 first quarterly report | Shanghai Securities News (D68), Hong Kong Economic Times, The Standard | 27 April 2007 | Shanghai Stock Exchange http://www.sse.com.cn Hong Kong Stock Exchange http://www.hkex.com.hk |
| Notice of 2006 annual general meeting | Shanghai Securities News (A4), Hong Kong Economic Times, The Standard | 30 April 2007 | Shanghai Stock Exchange http://www.sse.com.cn Hong Kong Stock Exchange http://www.hkex.com.hk |
| Announcement of listing of circulating shares subject to trading moratorium of the Company | Shanghai Securities News (D5), Hong Kong Economic Times, The Standard | 30 May 2007 | Shanghai Stock Exchange http://www.sse.com.cn Hong Kong Stock Exchange http://www.hkex.com.hk |
| Announcment of Unusual Movement at A-Share Market | Shanghai Securities News (D3) | 6 June 2007 | Shanghai Stock Exchange http://www.sse.com.cn |
| Announcement of resolutions passed at the 2006 annual general meeting | Shanghai Securities News (D13), Hong Kong Economic Times, The Standard | 19 June 2007 | Shanghai Stock Exchange http://www.sse.com.cn Hong Kong Stock Exchange http://www.hkex.com.hk |
| Clarification announcement supplement and amendment to 2006 annual report and 2007 first quarterly report | Shanghai Securities News (D5), Hong Kong Economic Times, The Standard | 21 June 2007 | Shanghai Stock Exchange http://www.sse.com.cn Hong Kong Stock Exchange http://www.hkex.com.hk |
| Announcement of resolutions passed at the sixteenth meeting of the fifth board of directors | Shanghai Securities News (D21), Hong Kong Economic Times, The Standard | 26 June 2007 | Shanghai Stock Exchange http://www.sse.com.cn Hong Kong Stock Exchange http://www.hkex.com.hk |
| Announcment of Unusual Movements at A-Share Market | Shanghai Securities News (A13) | 2 July 2007 | Shanghai Stock Exchange http://www.sse.com.cn |
| Announcment on adjustment of favourable income tax policies applicable to the company | Shanghai Securities News (D15), Hong Kong Economic Times, The Standard | 6 July 2007 | Shanghai Stock Exchange http://www.sse.com.cn Hong Kong Stock Exchange http://www.hkex.com.hk |

# VII. FINANCIAL STATEMENTS (UNAUDITED)

## CONSOLIDATED BALANCE SHEET

*30 June 2007*

| | | Group | | Company | |
|---|---|---|---|---|---|
| **Assets** | *Note* | **30 June 2007 (unaudited)** *RMB* | 12 December 2006 (Restated) *RMB* | **30 June 2007 (unaudited)** *RMB* | 12 December 2006 (Restated) *RMB* |
| Current assets | | | | | |
| Cash and bank balance | 8,51 | **127,670,504.47** | 82,861,309.46 | **68,256,622.54** | 42,636,228.02 |
| Bills receivable | 9 | **14,504,531.96** | 11,883,778.28 | **8,237,870.11** | 4,709,178.28 |
| Accounts receivable | 10 | **421,721,455.20** | 371,979,824.71 | **350,445,483.63** | 293,864,795.17 |
| Prepayment | 12 | **24,315,101.59** | 11,747,539.66 | **13,773,896.11** | 5,336,035.44 |
| Other receivables | 11 | **24,783,840.02** | 31,875,472.40 | **23,256,526.35** | 21,380,953.57 |
| Inventories | 13 | **676,776,958.72** | 710,196,289.75 | **463,765,334.73** | 522,708,543.24 |
| Other current assets | | **198,045.09** | 543,627.86 | **23,220.00** | 4,239.96 |
| Total current assets | | **1,289,970,437.05** | 1,221,087,842.12 | **927,758,953.47** | 890,639,973.68 |
| Non-current assets | | | | | |
| Long term equity investment | 14 | **28,503,322.41** | 31,804,144.61 | **223,703,190.53** | 232,317,247.26 |
| Investment properties | 15 | **87,740,947.34** | 88,737,475.98 | **96,957,301.80** | 98,137,562.56 |
| Fixed assets | 16 | **628,350,529.71** | 615,262,402.93 | **478,934,786.26** | 478,533,830.05 |
| Construction in progress | 17 | **40,459,180.70** | 40,989,014.69 | **1,940,418.81** | 4,888,832.46 |
| Intangible assets | 18 | **117,334,282.06** | 118,147,345.22 | **90,207,738.69** | 91,357,994.31 |
| Goodwill | 19 | **—** | — | **—** | — |
| Deferred tax asset | 20 | **3,847,247.91** | 2,776,288.28 | **—** | — |
| Other non-current assets | 21 | **12,105,941.10** | 12,140,006.10 | **12,095,291.10** | 12,128,291.10 |
| Total non-current assets | | **918,431,451.23** | 909,856,677.81 | **903,838,727.19** | 917,363,757.74 |
| Total assets | | **2,208,401,888.28** | 2,130,944,519.93 | **1,831,597,680.66** | 1,808,003,731.42 |

# CONSOLIDATED BALANCE SHEET *(continued)*

*30 June 2007*

| **Liabilities and shareholders' equity** | *Note* | **Group** 30 June 2007 (unaudited) *RMB* | Group 12 December 2006 (Restated) *RMB* | **Company** 30 June 2007 (unaudited) *RMB* | Company 12 December 2006 (Restated) *RMB* |
|---|---|---|---|---|---|
| Current liabilities | | | | | |
| Short term loans | 24 | **361,173,475.00** | 350,023,825.01 | **269,473,475.00** | 255,883,825.01 |
| Bills payable | 25 | **55,018,259.24** | 39,819,924.47 | **35,018,259.24** | 31,519,924.47 |
| Accounts paybable | 26 | **342,519,583.35** | 319,174,442.16 | **253,410,274.64** | 236,544,971.23 |
| Receipt in advance | 27 | **63,604,647.65** | 57,893,822.26 | **15,292,459.78** | 29,984,028.07 |
| Wages payable | 28 | **32,761,829.39** | 39,866,726.94 | **22,792,602.84** | 26,662,494.94 |
| Taxes payable | 29 | **13,238,185.41** | 14,122,617.32 | **6,069,503.57** | 566,027.99 |
| Other payable | 30 | **53,388,258.85** | 58,356,703.56 | **49,481,490.39** | 59,089,992.24 |
| Non-current liabilities payable within one year | 31 | **31,550,000.00** | 33,550,000.00 | **—** | — |
| Other non-current liabilities | 32 | **2,725,249.61** | 241,822.70 | **—** | — |
| Total current liabilities | | **955,979,488.50** | 913,049,884.42 | **651,538,065.46** | 640,251,263.95 |
| Non-current liabilities | | | | | |
| Long term loans | 33 | **27,000,000.00** | — | **—** | — |
| Estimated liabilities | 34 | **17,501,489.65** | 17,501,489.65 | **17,501,489.65** | 17,501,489.65 |
| Deferred tax liabilities | 35 | **242,941.38** | 242,941.38 | **242,941.38** | 242,941.38 |
| Total non-current liabilities | | **44,744,431.03** | 17,744,431.03 | **17,744,431.03** | 17,744,431.03 |
| Total liabilities | | **1,000,723,919.53** | 930,794,315.45 | **669,282,496.49** | 657,995,694.98 |
| Shareholders' equity | | | | | |
| Share capital | 36 | **422,000,000.00** | 422,000,000.00 | **422,000,000.00** | 422,000,000.00 |
| Capital reserve | 37 | **523,020,271.06** | 523,020,271.06 | **524,038,491.54** | 524,038,491.54 |
| Surplus reserve | 38 | **197,666,214.93** | 197,666,214.93 | **192,564,789.29** | 192,564,789.29 |
| Undistributed profit | 39 | **18,885,400.47** | 7,664,175.51 | **23,711,903.34** | 11,404,755.61 |
| Translation difference in foreign exchange statement | | **230,408.85** | 149,550.92 | **—** | — |
| Total shareholders' equity attributable to the Company | | **1,161,802,295.31** | 1,150,500,212.42 | **1,162,315,184.17** | 1,150,008,036.44 |
| Minority interests | | **45,875,673.44** | 49,649,992.06 | **—** | — |
| Total shareholders' equity | | **1,207,677,968.75** | 1,200,150,204.48 | **1,162,315,184.17** | 1,150,008,036.44 |
| Total liabilities and shareholders' equity | | **2,208,401,888.28** | 2,130,944,519.93 | **1,831,597,680.66** | 1,808,003,731.42 |

The notes form an integral part of the financial statements

Page 2 to 57 of the financial statements were signed by the following person in charge:

| **Wang Guohua** | **Zhang Peiwu** | **Jiang Jianming** |
|---|---|---|
| *Legal Representative* | *Financial Controller* | *Financial Manager* |

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

*1 January to 30 June 2007*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | **Six months ended 30 June 2007 (Unaudited)** *RMB* | Six months ended 30 June 2006 (Unaudited/restated) *RMB* | **Six months ended 30 June 2007 (Unaudited)** *RMB* | Six months ended 30 June 2006 (Unaudited/restated) *RMB* |
| Operating income | 40 | **555,300,788.83** | 519,852,556.84 | **413,587,305.55** | 368,097,439.56 |
| Less: operating cost | 40 | **431,599,339.02** | 401,271,042.17 | **328,701,068.50** | 286,996,104.49 |
| Operation tax and surcharge | 41 | **3,565,944.42** | 3,183,691.94 | **3,192,054.08** | 2,692,060.63 |
| Operation expenses | | **32,527,218.68** | 27,440,542.36 | **18,813,183.33** | 14,634,722.55 |
| Administrative expenses | | **56,672,091.79** | 58,735,699.81 | **35,583,651.14** | 36,599,669.32 |
| Financial expenses | 42 | **8,749,037.07** | 8,465,296.05 | **5,925,937.75** | 5,768,474.90 |
| Loss on asset impairment | 43 | **12,442,706.19** | 3,853,090.90 | **8,307,125.36** | 3,957,751.76 |
| Add:Investment income | 44,52(6) | **(1,513,597.82 )** | 385,227.88 | **(1,513,597.82 )** | (49,530.59 ) |
| Including: Investment income from associated companies | | **(3,108,107.16 )** | 384,227.88 | **(3,108,107.16 )** | (427,513.87 ) |
| Operating profit | | **8,230,853.84** | 17,288,421.49 | **11,550,687.57** | 17,399,125.32 |
| Add: Non-operating income | 45 | **2,111,904.31** | 881,308.56 | **764,681.97** | 196,719.55 |
| Less: Non-operating expenses | 46 | **274,812.24** | 1,016,278.86 | **—** | 413,438.27 |
| Total profit | | **10,067,945.91** | 17,153,451.19 | **12,315,369.54** | 17,182,406.60 |
| Less: Income tax | 47 | **(566,901.15 )** | 3,287,211.54 | **8,221.81** | 2,667,204.56 |
| Net profit | | **10,634,847.06** | 13,866,239.65 | **12,307,147.73** | 14,515,202.04 |
| Including: Net profit attributable to Shareholders of the Company | | **11,221,224.96** | 14,240,695.71 | **—** | — |
| Net profit attributable to minority interest | | **(586,377.90 )** | (374,456.06 ) | **—** | — |
| Earnings per share | | | | | |
| Basic earnings per share | | **0.03** | 0.03 | **0.03** | 0.03 |
| Diluted earnings per share | | **0.03** | 0.03 | **0.03** | 0.03 |

The notes form an integral part of the financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

*1 January to 30 June 2007*

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **Six months ended 30 June 2007 (Unaudited)** | Six months ended 30 June 2006 (Unaudited/restated) | **Six months ended 30 June 2007 (Unaudited)** | Six months ended 30 June 2006 (Unaudited/restated) |
| | | ***RMB*** | *RMB* | ***RMB*** | *RMB* |
| Cash flow from operating activities | | | | | |
| Cash received from sale of goods Or rendering of service | | **564,214,028.17** | 559,891,567.23 | **379,968,577.06** | 363,704,226.86 |
| Other cash received relating to Operating activites | | **8,274,642.91** | 11,272,924.98 | **3,623,705.95** | 6,611,745.40 |
| Sub-total of cash inflows | | **572,488,671.08** | 571,164,492.21 | **383,592,283.01** | 370,315,972.26 |
| Cash paid for goods and Labour service | | **360,214,019.06** | 395,907,516.86 | **247,968,393.75** | 260,675,747.16 |
| Cash paid to and on behalf Of employees | | **91,544,410.74** | 88,268,675.51 | **60,052,587.80** | 60,449,344.35 |
| Taxes paid | | **40,072,276.83** | 42,558,303.05 | **38,034,105.22** | 31,330,691.99 |
| Other cash paid relating to Operating activities | 50 | **53,874,783.81** | 46,143,483.57 | **34,111,413.56** | 31,198,738.11 |
| Sub-total of cash outflows | | **545,705,490.44** | 572,877,978.99 | **380,166,500.33** | 383,654,521.61 |
| Net cash flows from operating activities | | **26,783,180.64** | (1,713,486.78) | **3,425,782.68** | (13,338,549.35) |
| Cash flow from investing activities | | | | | |
| Increase due to change in the scope of consolidation | | **—** | 1,060,572.74 | **—** | — |
| Net cash received from disposal of fixed assets, intangible assets and other long term assets | | **86,274.59** | 405,500.00 | **23,790.00** | 15,500.00 |
| Cash received from acquisition of Subsidiaries and other business units | | | | **—** | — |
| Other cash received relating to Investing activities | | **—** | 20,001,000.00 | **—** | — |
| Sub-total of cash inflows | | **86,274.59** | 21,467,072.74 | **23,790.00** | 15,500.00 |
| Cash paid to acquire fixed assets, intangible assets and other long term assets | | **32,332,112.65** | 52,195,958.30 | **8,803,988.16** | 17,101,118.92 |
| Cash paid for investment | | **—** | 22,540,000.00 | **—** | 22,540,000.00 |
| Other cash paid relating to Investing activities | | **—** | — | **—** | — |
| Sub-total of cash outflows | | **32,332,112.65** | 74,735,958.30 | **8,803,988.16** | 39,641,118.92 |
| Net cash flows from investing activities | | **(32,245,838.06)** | (53,268,885.56) | **(8,780,198.16)** | (39,625,618.92) |
| Cash flows from financing activities | | | | | |
| Cash received from loans | | **243,365,000.00** | 243,217,616.62 | **176,915,000.00** | 193,267,616.62 |
| Other cash received relating to financing activities | | **—** | — | **—** | — |
| Sub-total of cash inflows | | **243,365,000.00** | 243,217,616.62 | **176,915,000.00** | 193,267,616.62 |

## CONSOLIDATED CASH FLOW STATEMENT *(continued)*

*1 January to 30 June 2007*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | *Note* | **Six months ended 30 June 2007 (Unaudited)** *RMB* | Six months ended 30 June 2006 (Unaudited/restated) *RMB* | **Six months ended 30 June 2007 (Unaudited)** *RMB* | Six months ended 30 June 2006 (Unaudited/restated) *RMB* |
| Cash repayments of debentures | | **184,450,000.00** | 180,450,000.00 | **140,000,000.00** | 130,000,000.00 |
| Cash payments for distribution of dividends of profits and payment of interest expenses | | **8,567,244.43** | 8,290,041.02 | **5,940,190.00** | 5,512,342.50 |
| Other cash paid relating to financing activates | | **11,630,904.89** | — | **718,944.29** | — |
| Sub-total of cash outflows | | **204,648,149.32** | 188,740,041.02 | **146,659,134.29** | 135,512,342.50 |
| Net cash flows from financing activities | | **38,716,850.68** | 54,477,575.60 | **30,255,865.71** | 57,755,274.12 |
| Effect of changes in foreign exchange rate on cash | | **(75,903.14 )** | 27,316.61 | **—** | — |
| Net increase (decrease) in cash and cash equivalents | | **33,178,290.12** | (477,480.13 ) | **24,901,450.23** | 4,791,105.85 |
| Add: Net amount in cash and cash equivalents at the beginning the period | 51 | **76,159,634.92** | 100,917,079.79 | **42,636,228.02** | 43,551,113.63 |
| Cash and cash equivalents At the end of the period | 51 | **109,337,925.04** | 100,439,599.66 | **67,537,678.25** | 48,342,219.48 |

The notes form an integral part of the financial statements.

# STATEMENT OF SHAREHOLDERS'S EQUITY CHANGE (CONSOLIDATED)

*1 January to 30 June 2007*

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share Capital** *RMB* | **Capital Surplus** *RMB* | **Surplus Reserve** *RMB* | **Undistributed profit** *RMB* | **Other** *RMB* | **Minority Shareholders' Equity** *RMB* | **Total Shareholders' Equity** *RMB* |
| 1. Balance as at 31 December 2006 | 422,000,000.00 | 523,020,271.06 | 197,666,214.93 | 22,474,593.24 | 149,550.92 | 45,887,106.31 | 1,211,197,736.46 |
| 1) Change in accounting policy | — | — | — | (14,810,417.73) | — | 3,762,885.75 | (11,047,531.98) |
| 2) Correction of prior mistakes | — | — | — | — | — | — | — |
| 2 Balance as at 1 January 2007 | 422,000,000.00 | 523,020,271.06 | 197,666,214.93 | 7,664,175.51 | 149,550.92 | 49,649,992.06 | 1,200,150,204.48 |
| 3. Change of funds thie year | — | — | — | 11,221,224.96 | 80,857.93 | (3,774,318.62) | 7,527,764.27 |
| (1) Net profit this year | — | — | — | 11,221,224.96 | — | (586,377.90) | 10,634,847.06 |
| (2) Profit and loss directly accounted for in shareholders' equity | — | — | — | — | 80,857.93 | — | 80,857.93 |
| 1. Effect of changes in other shareholders' equity of investee units under equity method | — | — | — | — | — | — | — |
| 2. Other | — | — | — | — | 80,857.93 | — | 80,857.93 |
| Subtotal of item (1) and (2) above | — | — | — | 11,221,224.96 | 80,857.93 | (586,377.90) | 10,715,704.99 |
| (3)Shareholders's investment and Reduction of share capital | — | — | — | — | — | (3,187,940.72) | (3,187,940.72) |
| 1. Shareholders' investment | — | — | — | — | — | — | — |
| 2. Other | — | — | — | — | — | (3,187,940.72) | (3,187,940.72) |
| (4) Profit distribution | — | — | — | — | — | — | — |
| 1. Appropriation of surplus reserve | — | — | — | — | — | — | — |
| 2. Distribution to shareholders | — | — | — | — | — | — | — |
| 3. Other | — | — | — | — | — | — | — |
| 4. Balance as at 30 June 2007 | 422,000,000.00 | 523,020,271.06 | 197,666,214.93 | 18,885,400.47 | 230,408.85 | 45,875,673.44 | 1,207,677,968.75 |

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share Capital** *RMB* | **Capital Surplus** *RMB* | **Surplus Reserve** *RMB* | **Undistributed profit** *RMB* | **Other** *RMB* | **Minority Shareholders' Equity** *RMB* | **Total Shareholders' Equity** *RMB* |
| 1 Balance as at 31 December 2006 | 422,000,000.00 | 520,864,095.43 | 197,666,214.93 | 139,909,389.09 | 60,333.38 | 46,231,826.25 | 1,326,731,859.08 |
| 1) Change in accounting policy | — | — | — | (22,686,635.68) | — | 4,484,793.03 | (18,201,842.65) |
| 2) Correction of prior mistakes | — | — | — | — | — | — | — |
| 2 Balance as at 1 January 2006 | 422,000,000.00 | 520,864,095.43 | 197,666,214.93 | 117,222,753.41 | 60,333.38 | 50,716,619.28 | 1,308,530,016.43 |
| 3. Change of funds thie year | — | — | 1,053,687.37 | (16,352,991.66) | 27,316.61 | (374,456.06) | (15,646,443.74) |
| (1) Net profit this year | — | — | — | 14,240,695.71 | — | (374,456.06) | 13,866,239.65 |
| (2) Profit and loss directly accounted for in shareholders' equity | — | — | — | — | 27,316.61 | — | 27,316.61 |
| 1. Effect of changes in other shareholders' equity of investee units under equity method | — | — | — | — | — | — | — |
| 2. Other | — | — | — | — | 27,316.61 | — | 27,316.61 |
| Subtotal of item (1) and (2) above | — | — | — | 14,240,695.71 | 27,316.61 | (374,456.06) | 13,893,556.26 |
| (3) Shareholders' investment and Reduction of share capital | — | — | — | — | — | — | — |
| 1. Shareholders' investment | — | — | — | — | — | — | — |
| 2. Other | — | — | — | — | — | — | — |
| (4) Profit distribution | — | — | 1,053,687.37 | (30,593,687.37) | — | — | (29,540,000.00) |
| 1. Appropriation of surplus reserve | — | — | 1,053,687.37 | (1,053,687.37) | — | — | — |
| 2. Distribution to shareholders | — | — | — | (29,540,000.00) | — | — | (29,540,000.00) |
| 3. Other | — | — | — | — | — | — | — |
| 4. Balance as at 30 June 2006 | 422,000,000.00 | 520,864,095.43 | 198,719,902.30 | 100,869,761.75 | 87,649.99 | 50,342,163.22 | 1,292,883,572.69 |

# STATEMENT OF SHAREHOLDERS'S EQUITY CHANGE (CONSOLIDATED)

*1 January to 30 June 2007*

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | Share Capital | Capital Surplus | Surplus Reserve | Undistributed profit | Minority Shareholders' Equity | Total Shareholders' Equity |
| | *RMB* | *RMB* | *RMB* | *RMB* | *RMB* | *RMB* |
| 1. Balance as at 31 December 2006 | 422,000,000.00 | 524,038,491.54 | 192,564,789.29 | 28,416,516.59 | — | 1,167,019,797.42 |
| 1) Change in accounting policy | — | — | — | (17,011,760.98) | — | (17,011,760.98) |
| 2) Correction of prior mistakes | — | — | — | — | — | — |
| 2. Balance as at 1 January 2007 | 422,000,000.00 | 524,038,491.54 | 192,564,789.29 | 11,404,755.61 | — | 1,150,008,036.44 |
| 3. Change of funds thie year | — | — | — | 12,307,147.73 | — | 12,307,147.73 |
| (1) Net profit this year | — | — | — | 12,307,147.73 | — | 12,307,147.73 |
| (2) Profit and loss directly accounted for in shareholders' equity | — | — | — | — | — | — |
| 1. Effect of changes in other shareholders' equity of investee units under equity method | | | | | | |
| 2. Other | — | — | — | — | — | — |
| Subtotal of item (1) and (2) above | — | — | — | 12,307,147.73 | — | 12,307,147.73 |
| (3) Shareholders' investment and Reduction of share capital | — | — | — | — | — | — |
| 1. Shareholders' investment | — | — | — | — | — | — |
| 2. Other | — | — | — | — | — | — |
| (4) Profit distribution | — | — | — | — | — | — |
| 1. Appropriation of surplus reserve | — | — | — | — | — | — |
| 2. Distribution to shareholders | — | — | — | — | — | — |
| 3. Other | — | — | — | — | — | — |
| 4. Balance as at 30 June 2006 | 422,000,000.00 | 524,038,491.54 | 192,564,789.29 | 23,711,903.34 | — | 1,162,315,184.17 |

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | Share Capital | Capital Surplus | Surplus Reserve | Undistributed profit | Minority Shareholders' Equity | Total Shareholders' Equity |
| | *RMB* | *RMB* | *RMB* | *RMB* | *RMB* | *RMB* |
| 1. Balance as at 31 December 2005 | 422,000,000.00 | 521,882,315.91 | 192,564,789.29 | 146,852,349.31 | — | 1,283,299,454.51 |
| 1) Change in accounting policy | — | — | — | (23,862,232.33) | — | (23,862,232.33) |
| 2) Correction of prior mistakes | — | — | — | — | — | — |
| 2. Balance as at 1 January 2006 | 422,000,000.00 | 521,882,315.91 | 192,564,789.29 | 122,990,116.98 | — | 1,259,437,222.18 |
| 3. Change of funds thie year | — | — | 1,053,687.37 | (16,078,485.33) | — | (15,024,797.96) |
| (1) Net profit this year | — | — | — | 14,515,202.04 | — | 14,515,202.04 |
| (2) Profit and loss directly accounted for in shareholders' equity | — | — | — | — | — | — |
| 1. Effect of changes in other shareholders' equity of investee units under equity method | — | — | — | — | — | — |
| 2. Other | — | — | — | — | — | — |
| Subtotal of item (1) and (2) above | — | — | — | 14,515,202.04 | — | 14,515,202.04 |
| (3) Shareholders' investment and Reduction of share capital | — | — | — | — | — | — |
| 1. Shareholders' investment | — | — | — | — | — | — |
| 2. Other | — | — | — | — | — | — |
| (4) Profit distribution | — | — | 1,053,687.37 | (30,593,687.37) | — | (29,540,000.00) |
| 1. Appropriation of surplus reserve | — | — | 1,053,687.37 | (1,053,687.37) | — | — |
| 2. Distribution to shareholders | — | — | — | (29,540,000.00) | — | (29,540,000.00) |
| 3. Other | — | — | — | — | — | — |
| 4. Balance as at 30 June 2006 | 422,000,000.00 | 521,882,315.91 | 193,618,476.66 | 106,911,631.65 | — | 1,244,412,424.22 |

The notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
1 January to 30 June 2007

## 1. GENERAL

Beiren Printing Machinery Holdings Limited (the "Company") is a joint stock limited company established in the People's Republic of China on 13 July 1993 by Beiren Group Corporation as the sole promoter. The Company's A Shares and H Shares have been listed in Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited in People's Republic of China respectively. Upon the issue, the Company's total share capital was 400,000,000 shares, including 250,000,000 state-owned legal person shares, 50,000,000 domestic public shares, 10,000,000 overseas public shares with the par value of RMB1 per share. The Company is principally engaged in the development, design, manufacturing and sales of printing machines, pressing machines, packing machines and parts and components of such machines. Other operations include technological consultancy and technical support services related to the principal operations.

Based on the resolutions passed at the the general meetings held on 16 May 2001 and 11 June 2002 and approved by the document Zheng Jian Fa Xing Zi [2002] No. 133 of China Securities Regulatory and Supervisory Commission, the Company issued 22,000,000 shares of renminbi ordinary shares (A Shares) to the social public shareholders with a par value of RMB1 for each share on 7 January 2003.

Details of the Company's share capital are set out in Note 36.

The parent of the Company is Beiren Group Corporation.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### First Implementation of New Accounting Standards

The Group implemented the new accounting standards (hereafter as "New Accounting Standards") promulatged by the Ministry of Finance on 15 Feburary 2006 since 1 January 2007°Aand made retrospective adjustments over the comparative financial statements in conformity with Standard No.5 and Standard No.19 of the "Accounting Standard for Business Enterprises No.38-First time adoption of Accounting Standards for Business Enterprises"(hereafter as "Standard No.38"). Save as the project of retrospective adjustment as required by Standard No.5 and No.19, the financial statements for year 2006 have still been prepared in accordance with the previous Accounting Standards for Business Enterprises and policies determined pursuant to Accounting Regulations for Business Enterprise. Those accounting policies may deviate from those adopted during the preparation of the financial reports for 1 January to 30 June 2007. These deviations have been disclosed in note 5.

Changes on the reporting statement in the financial statements such as the classification and definition of items have been restated in the financial statements of the comparable year according to the requirements of New Accoutning Standards.

## 3. REPRESENTATION OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements prepared by the Group have been in compliance with the requirements of the New Accounting Standards and other releted regulations, truly and completely reflect the corporate and combined financial condictions of the Group as at 30 June 2007 as well as the operating results and cash flows during the period from 1 January to 30 June 2007.

## 4. MAJOR ACCOUNTING POLICIES AD ACCOUNTING ESTIMATES

The following accounting policies and accounting estimates were made pursuant to New Accounting Standards.

### Accounting Year

The accounting year of the Goup is western calendar year, i.e. from 1 January to 31 December.

### Recording Currency

Renminbi is the currency in the economy of the principal place of business of the Group. Renminbi is the recording currency of the Group.

### Principle and Basis of Accounting

The Company adopts accrual accounting as the basis of accounting. Upon initial measurement, financial assets and financial liabilities are measured at fair value, while other assets and liabilities are measured at actual cost. Upon measurement in the end of the period, financial assets and financial liabilities measued at fair value through profit and loss as well as financial assets available for sale are subquently measued at fair value. Other assets and liabilities are subsequently measured at actual cost or amortized cost. Where there are impairment on assets subsequently measured at actual cost or amortized cost, provisions for impairment on assets will be made correspondinly.

### Cash equivalents

Cahs equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

### Translation of Foreign Currencies

Transacitons in foreign currencies are translated by spot exchange rate on the transaction date upon initial recognition.

In balance sheet date, items in foreign currencies are translated into RMB at the spot exchange rate on the day. Exchange differences arising from differences between the spot exchange rate on the day and that upon initial recognition or that on the balance sheet date are included in profit and loss of the current period.

Non-monentary items in foreign currencies carried at historical cost are still measured at amount of recording curreny translated at the spot exchange rate on the day during which the transaction takes place. Non-monetary items in foreign currencies carried at fair value are translated at spot exchange rate on the date of which the fair value is determined. Differneces between the amount of recording curreny after translation and that before translation are accounted as changes in fair value (inclusive of changes on exchange rate) and included in profit and loss of the current period or owner's equity.

### Fair value

Fair value refers to the amount of voluntary exchange of assets or settlement of debts between knowledgable parties in arm's length transaction.

For financial assets or financial liabilities where there is an active market, the fair value will be determined by reference to quotations in the active market.

### Amortized Cost

Amortized cost refers to the outstanding amount derived by the amount upon initial recognition of financial assets or financial liabilities less settled principal, adding or deducting accmulated amortized amount out of the amortization of the differences between the initially recognized amount and the amount on the expiry date by effective interest rate, less impairment loss on financial assets incurred.

### Effective interest methods

Effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (including one porfoloio of financial assets or financial liabilities) and of allocating the interest income or interest expense by their effective interest rate. Effective interest rate is the rate that discounts estimated cash flow through the expected liate of the financial assets or liabilities or, when appropriate, a shorter period to the prevailing net carrying amount of the financal asset or financial liability .

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial assets or financial liabilities but does not consider future credit lossess, as well as considering all fees received or paid between parties to the contract of the financial asset or financial liability that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

### Financial Assets

Financial assets are classified upon initial recognition into financial assets at fair value through profit and loss, held-to-maturity assests, loans and receivables as well as financial assets available for sale.

— Financial assets measured at fair value through profit and loss

  Including trading financial assets and specific financial assets measured in fair value with its change charged to the profit and loss account in the current period. Trading financial assets refer to the financial assets after satisfying one of the following conditions: (1) acquisition of such financial asset is for sale or repurchase in recent periods; (2) such asset is a part of a portfolio of centrally-managed identifiable financial assets and objective evidence clearly shows that the Group recently manages the portfolio for short-term profit; (3) such asset is a derivative instrument, but except specific derivative instruments with effective hedging function, derivative instruments as financial guarantee contracts, equity instrument that has no quotations in active markets and no reliable measurement of the fair value, and equity instruments linked derivative instrucments which must be cleared through delivery of equity instruments.

  Financial assets upon initial recognition that satisfy one of the following conditions may be specified as financial assets that are measured at fair value and its change is included in profit or loss: (1) the financial asset is specified to offset or obviously reduce the inconsistency between the recognition or measurement of profit or loss resulting from different measurement basis of such financial assets; (2) as set out in the Company's official document on risk management and investment strategies, the Group manages and evaluate the financial asset portfolio to which such financial asset belongs or the portfolio of financial assets and financial liabilities on the basis of fair value, and report to key management.

  A subsequent measurement on a fair value basis is made to the financial assets that are measured at fair value with its change charged to the profit and loss account in the current period. The profit or loss resulting from change of fair value and relevant dividend and interests of such financial assets are charged to the profit and loss account in the current period.

— Held-to-maturity Investments

  Non-derivative financial assets with fixed maturity dates, fixed or determinable payment that the Group has express intention and be able to hold to maturity.

  Subsequent measurement is made to held-to-maturity investments at amortised cost using the effective interest method. The profit or loss generated from derecognition, occurrence of impairment and amortization is charged to the profit and loss account.

— Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

  Loans and receivables are subsequently measured via amortized cost by effective interest rate method. Gains or loss upon the cease of recognition, incurrence of impairment or amortization are included in profit and loss.

— Financial assets available for sale

  Including non-derivative financial assets referred as available for sale upon initial recognition as well as financial assets other than the financial assets, loans and receivables, held-to-maturity investment through profit and loss at fair value.

  Financial assets available for sale are subsequently measured at fair value, while profit and loss derived from changes of fair value, other than exchange differences derived from impairment loss and monetary financial assets in foreign currncies, are directed included in owner's equity, transferred when the recognition of the financial assets cease and included in profit and loss of the current period. Interest rate of financial assets available for sale are derived effective interest method, and are included in the profit and loss of the current period with exchange differences derived from impairment loss and monetary financial assets available for sale in foreign currncies. Cash dividends of investmnet on equity instrument available for sale are included in profit and loss of the current period when the investee declare distribution of dividends.

## Impairment on financial asets

Save as financial assets through profit and loss at fair value, the Group examine the carrying value of other financial assets on each balance sheet date. Where there is objective evidence supporting impairment on the financial assets, provisions for impairment are to be made. Objective evidence of impariemnt on financial assets refer to events actually incurred upon initial recognition of the financial assets, imposing an influence on estimated future cash flows of those financial assets of which can be realiably measured by the Group.

When impairment is incurred, accumulated loss derived from an decrease in the fair value, and which is previously included in capital reserve directly, are transferred and included in the profit and loss of the current period. Such accumulated loss is the balance of cost of initial acquisition of the assets less received principal and amortized amount, prevailing fair value and accumulated loss previously accounted in profit and loss. For financial assets measuered at cost or amortized cost, the carrying value is written down to the present value of estimated future cash flows and such amounts are recognized as impairment loss in profit and loss.

For investment on equity instrument where there are no quotations in the active market and of which the fair value cannot be reliably measured, and for any impairment loss on derivative financial assets linked with those equity instrument and must be settled via delivery of the equity instrument are not to be transferred. For other financial assets, where there is any objective evidence supporting that the value of the financial assets has been restored upon reocognition of impairment loss, and that this are objectively related to the events occurred after the recognition of such impairment loss, the impairment loss previously recognized are reversed, and reversal of impairment loss on financial assets are included in the profit and loss of the current period, except that investment on equity instrument available for sale are not revsersed After reversal of impairment loss of financial assets carried at amortised cost, the carrying value does not exceed the amortized cost on the reversal date of the financial assets, assuming that no provisions are made for impairment.

## Derecognition of financial assets

The financial asset are derecognized if satisfying one of the following conditions: the rights in the agreement entitled to receive the cash flows of such financial asset have ceased; the financial asset has been transferred and all risks and remuneration entitled in the ownership of such financial asset have been transferred to the transferee; after transfer of such financial asset, the enterprise gives up the control of such financial asset, although the enterprise has not transferred and retained all risks and remuneration entitled in the ownership of such financial asset.

## Inventories

Inventories are measured initially at cost. The cost of inventories includes acquisition cost, processing cost, and other cost of bringing inventories to the current location and their working condition. Inventories include raw materials, work-in-progress and finished goods.

When the inventories are delivered, the actual cost is calculated on a weighted average basis.

Turnover materials are materials that can be reused many times and still be remained in original condition after gradual transfer of their value but are not recognized as fixed assets. Such materials, including packaging materials and low-value consumable, are amortized by one-time write-off.

A perpetual inventory system is adopted for the calculation of inventory volume.

## Provision for diminution in value of inventories

At the balance sheet date, inventories are stated at the lower of cost and net realizable value. Whenever the net realizable value is lower than cost, provision is made for diminution in value of each inventory. Provision is made for diminution in value of each inventory for the difference of the cost of each inventory in excess of its net realizable value.

After provision for diminution in value of inventories is made, where the factors that result in diminution in value of inventories no longer exist and therefore the net realizable value of inventories is higher than its carrying value, the original provision for diminution in value of inventories can be reversed, and the amount of reversal is charged to the profit and loss account in the period.

Net realizable value is based on estimated selling price less cost expected to be incurred at the time of completion, expected selling expenses and the relevant tax in the normal course of business. Where the net realizable value of inventories is certain, consideration should be given to the purpose of holding such inventories and the effect of events after the balance sheet date, based on existing strong evidence.

## Investment Property

Investment property is held to earn rentals or for capital appreciation or both, including leased land use rights, land use rights held for sale after appreciation, leased buildings, etc.

Investment property is initially measured at cost. Subsequent expenditures related to an investment property shall be included to cost of investment property only when the economic benefits associated with the asset will likely flow to the Group and its cost can be measured reliably. All other expenditure on investment property shall be included in current profit and loss when occurred.

The Group adopts cost method for subsequent measurement of investment property, which is depreciated or amortized using the policy same as that for buildings and land use right. For a conversion from owner-occupied property or inventory to investment property (or vice versa), the property upon the conversion shall be stated at the carrying amount before the conversion.

When an investment property is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the property net of the carrying amount and related tax and surcharges is recognized in profit or loss for the current period.

## Long-term equity investments

For long-term equity investments acquired from a business combination not involving enterprises under common control, the initial investment cost of the long- term equity investment acquired is the aggregate of the fair value, at the acquisition date, of the acquiree's identifiable assets, liabilities and contingent liabilities acquired and issued equity securities, plus expenses directly attributable to the combination. For a long-term equity investment acquired by cash payment other than those as a result of a business combination, the initial investment cost shall be the actual purchase price that has been paid. Initial investment cost also includes those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment. For a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the securities issued. For a long-term equity investment contributed by investor, the initial investment cost shall be the value, if not being unfair, as agreed by the contract or agreement governing the investment. The cash dividend and profit which are declared but not paid as included in the payment and consideration for acquisition of long-term equity investment are accounted for as receivables, instead of cost for acquisition of long-term equity investment.

Cost method is used to account for a long-term equity investment where the investor can exercise control over the investee (but only to the extent of financial statements) or does not have joint control or significant influence over the investee, and the investment is not quoted in an active market and its fair value cannot be reliably measured. Long-term equity investment with joint control or significant influence on the investee is accounted for using equity method. Long-term equity investment without control or joint control or significant influence with a fair value which can be reliably measured is accounted for as available-for-sale financial assets. When ascertaining whether there is a control or significant influence over the investee, potential voting factors such as current convertible corporate bonds and current exercisable warrants shall be taken into account.

— Long-term equity investment accounted for using cost method

When the cost method is adopted, the long-term equity investment is stated at its initial investment cost, and the amount of investment income recognized is limited to the amount distributed out of accumulated net profits of the investee enterprise that has arisen after the investment was made. The amount of profits or cash dividends declared by the investee enterprise in excess of the above threshold is treated as recovery of investment cost to reduce the carrying amount of the investment.

— Long-term equity investment accounted for using equity method

Under the equity method, the initial cost of long-term equity investment which is greater than its share of fair value of the investee's identifiable net assets is stated without adjustment. The shortfall of the initial cost from its share of fair value of the investee's identifiable net assets is credited to the current profit and loss account against the cost of the long-term equity investment.

When the equity method is adopted, the investment income for the current period is recognized according to the share of the net profit or loss of the investee. The investor's share of the investee's net profit and loss is recognised based on the fair value of identifiable assets of the investee upon acquisition of the investment, subject to an adjustment to the investee's net profit in accordance with the Group's accounting policies and period. Changes in shareholders' equity other than the share of the investee's net profit and loss are accounted for with an adjustment to the carrying amount of the long-term equity investment and included into shareholders' equity.

The net loss from the investment in investee is reorganised to the extent that the carrying amount of the long-term equity investment and other long-term interest in substance in the investee are written down till nil. In addition, if the Group incurs obligations for the investee to assume additional losses, contingent liabilities shall be recognized and included into current investment loss based on the estimated obligations to assume. In the event that net profit is recorded by the investee in the future, recognition of the Group's share of the investee's net profit may be resumed after recovering its share of unrecognised loss.

— Disposal of long-term equity investments

On disposal of a long-term investment, the difference between the carrying amount of the investment and the actual consideration paid is recognized in current profit or loss. Where the equity method is adopted, the amount attributable to the long-term equity investment previously included shareholders' equity shall be transferred to current profit or loss on a pro-rata basis.

## Fixed assets and depreciation

Fixed assets are tangible assets that are held for using the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives more than one accounting year.

Fixed assets are initially measured at cost, taking into account the effect of any expected costs of abandoning the asset at the end of its use. From the month after reaching their working condition for intended use, fixed assets are depreciated using the straight-line method over their estimated useful lives. The useful life, estimated residual value and annual depreciation rate of each category of fixed assets are as follows:

| Category | Estimated residual ratio | Depreciation period | Annual depreciation rate |
|---|---|---|---|
| Buildings | 3% | 40 | 2.425% |
| Plant and machinery | 3% | 8-14 | 12.125%-6.929% |
| Electronic equipment, furniture & fixture | 3% | 8 | 12.125% |
| Transportation equipment | 3% | 8 | 12.125% |

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Save as subsequent costs incurred on an asset upon its initial recognition are recognised as addition to the asset provided that economic benefits associated with the item will likely flow to the Group and the costs can be reliably measured, upon which the carrying amount of the replaced part is derecognized, any other subsequent costs are charged to current profit or loss when incurred.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end, any change of which is accounted for as a change in an accounting estimate.

When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related tax and surcharges is recognized in profit or loss for the current period.

## Construction in progress

Cost of construction in progress is recognized based on the actual construction cost, including all expenditures incurred for construction projects, capitalized borrowing costs for the construction in progress before it has reached the working condition for its intended use, and other related expenses during the construction period. A construction in progress is transferred to fixed assets when it has reached the working condition for its intended use.

## Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Group.

Intangible assets are measured initially at cost. Expenditures related to an intangible asset shall be included to cost of intangible asset only when the economic benefits associated with the asset will likely flow to the Group and its cost can be measured reliably. All other expenditure on an intangible item shall be included in current profit and loss.

Typically, the land use rights purchased are recognized as intangible assets. Land use right and buildings relating to a self-constructed plant are respectively accounted for. When the buildings and plants are acquired, the amount are distributed for recognition of cost between land use rights and buildings; if the amount can not be reasonably distributed between them, all of the amount shall be recognized as fixed assets.

The depreciable amount of an intangible asset with a finite useful life shall be amortized over its useful life using an amortization method which can reflect the pattern in which the asset's economic benefits are expected to be realized. If that pattern cannot be determined reliably, the straight-line method shall be used. An intangible asset with an indefinite useful life shall not be amortized.

For an intangible asset with a finite useful life, the useful life and the amortization method applied are reviewed at each financial year-end, any change of which is accounted for as a change in an accounting estimate. For an intangible asset with an indefinite useful life, the Company shall reassess the useful life of the asset in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Company shall estimate the useful life of that asset and apply an amortization method applicable to intangible asset with finite useful life for its amortization.

## Long-term prepaid expenses

Long-term prepaid expenses are expenditures and other expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods. Long-term prepaid expenses are amortized evenly over the estimated benefit period.

## Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that the long-term equity investments in its subsidiaries, associated companies and joint-controlled entities, investment property, fixed assets, construction in progress and intangible assets with finite useful life may be impaired. If there is objective evidence for impairment of such assets, recoverable amounts of assets are estimated on an individual basis. If there is a difficulty in estimating recoverable amount of a single asset, recoverable amount of assets is estimated on a category basis for the asset category in which the asset falls. Where the recoverable amount of an asset is less than its carrying amount, a provision for impairment is made based on the difference and charged to the current profit and loss.

Goodwill acquired in a business combination and intangible assets with indefinite paid shall be assessed for impairment at least at each financial year-end. For the purpose of impairment assessment, goodwill shall be considered together with the related asset groups or sets of asset groups allocated with goodwill, i.e., to allocate on a reasonable basis the carrying amount of goodwill over the related asset groups since the acquisition date, or if there is a difficulty in allocation, to allocate it over the sets of asset groups. If the recoverable amount of the asset groups or set of asset groups is less than the book value, the impairment loss will firstly be charged to the goodwill allocated to the asset groups or sets of asset groups, and then be charged to the book value of the asset groups or sets of asset groups proportionally based on the percentage of the book value of assets other than the goodwill in the asset groups or set of asset groups.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is determined in a sale agreement on an arm's length transaction. If there is not sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is not agreement or active market for an asset, fair value shall be estimated based on the best available information. Costs of disposal are expenses attributable to the asset disposal, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to bring the asset ready for intended sale.

Any impairment loss on the aforesaid long-term equity investments in subsidiaries, associated companies and joint-controlled entities, investment property, fixed assets, construction in progress, intangible assets and goodwill, once recognized, shall not be reversed in a subsequent period.

## Financial liability

Financial liability is divided into financial liability at fair value through profit or loss and other financial liabilities at initial measurement according to the holding purpose.

— Financial liability at fair value through profit or loss

  It includes financial liability held for trading and financial liability designated by the entity as at fair value through profit and loss.

  Financial liability held for trading and financial liability designated as at fair value through profit and loss meet the same condition to classify financial assets as financial assets held for trading and financial assets designated as at fair value through profit and loss.

  Subsequent measurement of liability at fair value through profit or loss is based on fair value. The gain or loss arising from the change in fair value and the dividend and interest expenses related to the financial liability are included into the current profit or loss.

— Other financial liabilities

Other financial liabilities which have no quoted price in an active market, or are linked to equity instrument without a reliably measured fair value and are required to be settled through that equity instrument are subsequently measured based on cost. The financial guarantee contract not being financial liabilities designated as at fair value through profit and loss, or the loan commitment for loans to be granted at an interest rate below the market rate which is not designated as at fair value through profit and loss, are initially measured based on fair value. Following the initial recognition, subsequent measurement is made based on the higher of 1) the amount determined under Accounting Standards for Business Enterprises - Contingency; and 2) the initial recognized amount less the accumulated amortization determined under Accounting Standards for Business Enterprises - Revenue. Other financial liabilities are subsequently measured based on amortized cost using the effect interest rate method. The gain or loss arising from discontinuing recognition or amortization is included in current profit or loss.

## Employee salaries

In the accounting period in which an employee has rendered service to the Group, the Group recognizes the employee salary payable as a liability.

The Group participates in social security systems required by the government. Payments of social security contributions for employees, such as pension insurance, premiums or contributions on medical insurance, payments of housing funds and other security system are recorded into cost of related assets or current profit or loss.

When the Group terminates the employment relationship with employees before the end of the employment contracts or offers a compensation to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy, which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, the contingent liability arising from compensation for termination of employment relationship with employees shall be recognized and charged to the profit or loss for the current period.

Internal union retirement plan adopts the same principles of benefits above. The Group recognizes the salary payable to an employee subject to internal union retirement plan and social security fees payable, which are calculated from the date that the employee stops offering services to the date that the employee would retire normally, as employee salary payable for the current period (retirement benefit).

## Contingent Liability

The obligation related to a contingency is recognized as a liability when it meets the following conditions: (1) the obligation is a present obligation of the Group; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; (3) a reliable measurement can be made of the amount of the obligation.

At the balance sheet date, factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account, to measure the contingent liability at the best estimate of the out-flow of economic benefits required to settle the related present obligation.

Where some or all of the expenditure required to settle a contingent liability is expected to be reimbursed by a third party, the reimbursement is separately recognized as an asset when, and only when, it is virtually certain that the reimbursement will be received. The amount recognized for the reimbursement is limited to the carrying amount of the liability recognized.

— Contact in loss

Contact in loss is identified when the inevitable cost for performance of the contractual obligation exceeds the inflow of expected economic benefits. When a contract in loss is identified and the obligations thereunder are qualified by the aforesaid recognition criterion for contingent liability, the difference of estimated loss under contract over the recognized impairment loss (if any) of the subject matter of the contract is recognized as contingent liability.

— Restructuring obligations

For detailed, official and publicly announced restructuring plan, the direct expenses attributable to the restructuring are recognized as contingent liabilities, provided that the aforesaid recognition criterion for contingent liability is met.

## Revenue recognition

*Revenue from sales of goods*

Revenue is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, will receive the economic benefits associated with the transaction, and can reliably measure the relevant amount of revenue and costs.

*Interest income*

Interest income is measured based on the length of time for which the Group's cash is used by others and the applicable interest rate.

## Government grant

Government grants are transfer of monetary assets or non-monetary assets from the government to the Group at no consideration, excluding capital contribution from the government as an owner. Government grants are classified into government grants related to assets and government grants related to income. Government grant is recognized when, and only when the conditions are met.

If a government grant is in the form of a transfer of a monetary asset, the item shall be measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, the item shall be measured at fair value. If fair value is not reliably determinable, the item shall be measured at a nominal amount and recognized immediately in profit or loss for the current period.

A government grant related to an asset shall be recognized as deferred income, and evenly credited to profit or loss over the useful life of the related asset. A government grant related to income shall be accounted for as follows: if the grant is a compensation for related expenses or losses to be incurred by the enterprise in subsequent periods, the grant shall be recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized; if the grant is a compensation for related expenses or losses already incurred by the enterprise, the grant shall be recognized immediately in profit or loss for the current period.

Repayment of a government grant already recognized shall be accounted for as follows: if there is any related deferred income, the repayment shall be offset against the carrying amount of the deferred income, and any excess shall be recognized in profit or loss for the current period; if there is no related deferred income, the repayment shall be recognized immediately in profit or loss for the current period.

## Borrowing Costs

Borrowing costs comprise interest incurred on borrowings, amortization of discounts or premiums, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, before such asset getting ready for its intended use or sale, shall be capitalized according to the recognition criterion for capitalized amount of borrowing costs and included into the cost of that asset. Other borrowing costs are recognized as expenses in the period in which they are incurred.

Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalization of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months. The borrowing costs incurred during these periods shall be recognized as expenses for the current period until the acquisition, construction or production of a qualifying asset is resumed.

## Income tax

— Income tax for the current period

On each balance sheet date, the current income tax liabilities (or assets) arising from the current and preceding periods are measured based on the estimated payable (or returnable) amount of income tax calculated pursuant to the tax laws. The taxable income upon which the current income tax expenses is calculated is subject to adjustments to the accounting profit before taxation for the current period in accordance with the relevant tax laws.

— Deferred income tax assets and deferred income tax liabilities

The difference between the carrying amount of certain assets or liabilities and the tax bases, and the difference between the carrying amount of items that have not been recognized as assets and liabilities but their tax bases can be confirmed according to the requirements of the tax laws, and the tax bases result in a temporary differences. The tax effect of the temporary difference is audited using the balance sheet liability method.

The taxable temporary differences, which are related to initial recognition of goodwill but are not related to corporate merger and but is related to the initial recognition of assets or liabilities created in transactions that do not affect the accounting profit and taxable income (or deductible from a loss) at the time of accrual, are exempted from recognition of relevant deferred income tax liabilities. In addition, the taxable temporary difference in relation to investment in subsidiaries, associates and joint companies can be exempted from recognition of deferred income tax liabilities, if the Group can control the reversal time of temporary differences that may not be reversed in foreseeable future. Besides the exemptions above, the Group recognizes other deferred income tax liabilities generated from taxable temporary differences.

The deductible temporary differences, which are not related to corporate merger and but is related to the initial recognition of assets or liabilities created in transactions that do not affect the accounting profit and taxable income (or deductible from a loss) at the time of accrual, are exempted from recognition of relevant deferred income tax assets. Except the exceptions above, the Group recognizes other deferred income tax assets generated from deductible temporary differences but the amount is limited to the taxable income possibly used for deducting from deductible temporary differences.

For the deductible loss and tax credits that can be transferable in coming years, the Group recognizes the relevant deferred income tax assets but the amount is limited to future taxable income possibly used for deducting from the deductible loss and tax credits.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at a tax rate applicable in the period in which the relevant assets are expected to be recovered or relevant liabilities are expected tobe settled, pursuant to the requirements of the tax laws.

The book value of deferred income tax assets is reviewed at the balance sheet date. If the Company cannot obtain sufficient taxable income in future to deduct the benefits of deductible deferred income tax assets, the book value of deferred income tax assets is written down. If a sufficient taxable income can be possibly attained, the reduced amount is reversed.

Deferred income tax assets and deferred income tax liabilities are not discounted.

— Income Tax Expense

Income tax expenses include income tax and deferred income tax in the current period.

Except that the income tax and deferred income tax in the current period relating to the transactions and matters directly accounted for in shareholders' equity are calculated into shareholders' equity, and the book value of the goodwill adjusted by deferred income tax generated from a corporate merger, the remaining income tax and deferred income tax expense or income in the current period is accounted for in current profit and loss.

## Lease

A financing lease, in substance, transfers all risks relating to the ownership of the assets and the lease for remuneration, and the ownership may or may not be transferable at last. Other leases other than financing leases are operating leases.

— The Group as a lessee makes a record of operating lease business.

The rental expense of operating leases during the lease period is accounted for in the cost of relevant assets or the current profit and loss on a straight line method. The initial direct expense is calculated in the current profit and loss. Rental expenses may be accounted for in the current profit and loss when accrued.

— The Group as a lessor makes a record of operating lease business.

The rental income of operating leases during the lease period is recognized in the current profit and loss on a straight line method. The initial direct expense is calculated in the current profit and loss. Rental income may be accounted for in the current profit and loss when accrued.

## Basis for preparation of consolidated financial statements

The scope of consolidation for consolidated financial statements is recognized on the basis of control. Control refers to the Company's authority to determine the financial and operation strategies of another enterprise and benefit from the operating activities of such enterprise. Factors to be considered in determining whether the investee unit is under control include the possible voting rights of transferable convertible bonds and exercisable warrants of the investee units held by the Company and other enterprises in the current period. All subsidiaries and entities with a special purpose controlled by the Company are within the scope of consolidation of consolidated financial statements.

The dates on which the Company will gain or lose a control in its subsidiaries are the dates of acquisition and disposal, respectively. For disposed subsidiaries, the operating results and cash flow of such subsidiaries prior to the disposal date have been properly included in the consolidated profit and loss account and consolidated cash flow statement. For disposed subsidiaries in the current period, the initial figures in consolidated balance sheet are not adjusted. For new subsidiaries after a corporate merger but not under the common control, their operating results and cash flow after the acquisition date have been properly included in the consolidated profit and loss account and consolidated cash flow statement. For new subsidiaries after a corporate merger but not under the common control in the current period, initial figures in the consolidated balance sheet are not adjusted. For new subsidiaries after a corporate merger but under the common control, their operating results and cash flow from the start of merger to the merger date, have been properly included in the consolidated profit and loss account and consolidated cash flow statement, whereas the comparable figures in consolidated financial statements are adjusted in the same time.

Major accounting policies and accounting period adopted by the Company are determined according to the standardized accounting policies and accounting period of the Company.

Significant balance and transactions between the Company and its subsidiaries and among subsidiaries are offset at the time of merger.

Of the the shareholders’equity of subsidiaries, the equity not attributable to the parent company is minority shareholders’ interests, which is stated in “minority interest” item under shareholders’equity in the consolidated balance sheet. The net profit or loss attributable to minority shareholders of subsidiaries in the current period is stated in “minority shareholders’ equity” item under net profit section in the consolidated profit and loss account. Where the loss of a subsidiary shared by a minority shareholder exceeds his share of the shareholders’equity at the beginning of the period, the minority shareholders’ equity is reduced, if the minority shareholders are obliged and able to make compensation as stipulated in the articles of association or an agreement, or the reduced amount is accounted for in the shareholders’ equity attributable to the parent of the Company. The subsequent profit of such subsidiary realized are all accounted for in the shareholders’ equity attributable to the parent of the Company, before compensating the loss attributable to minority shareholders borne by the shareholders’ equity of the parent of the Company.

## Translation of Foreign Currency Financial Statements

Financial statements in foreign currency in overseas operation are translated into Renminbi according to the following methods. All assets and liabilities items in balance sheet are translated based on spot exchange rate. Shareholders' equity items other than "undistributed profit" are translated at a spot exchange rate when accrued. All items in profit and loss account and items that reflect the profit distribution are translated at a spot exchange rate at the transaction occurrence date. Undistributed profit at the beginning of the year is the undistributed profit at the end of prior year after translation. Undistributed profit at the end of the year are calculated and stated according to the items in distributed profit after translation. The difference between the assets items after translation and a total of liabilities items and shareholders' equity items, is stated as a separate item of translation difference of foreign currency financial statements under the "Shareholders' equity" item in balance sheet.

In treatment of overseas operation, the translation difference as stated in the items under shareholders' equity in balance sheet and in the statements in foreign exchange relating to overseas operation, is accounted for in the profit and loss account in the current period in whole or at a percentage in treatment of overseas operation.

Cash flows in foreign currency and that of overseas subsidiaries are translated at exchange rates at the occurrence date of cash flows. The effect of change in exchange rates on cash and cash equivalents is stated as a separate item of "Effect of change in foreign exchange rate on cash and cash equivalents" in the cash flow statement.

The actual figures in the beginning of the year and of prior year are stated based on the figures in the financial statements of prior year after translation.

### Earnings per share

— Basic earnings per share

Basic earnings per share is determined by dividing the current net profit attributable to the ordinary shareholders by a weighted average number of ordinary shares in issue.

The number of new ordinary shares in issue is determined since the collection date of consideration, normally the issue date of shares, pursuant to the terms of issuing agreement.

— Diluted earnings per share

Diluted earnings per share is calculated and determined after adjustment of current net profit attributable to ordinary shareholders and a weighted average of ordinary shares in issue and consideration of the possible dilutive effect on ordinary shares.

Potential dilutive ordinary shares are the potential ordinary shares based on the assumption that conversion to ordinary shares in the current period will dilute the earnings per share.

In adjusting the current net profit attributable to ordinary shareholders, consideration should be given to the interests of potential dilutive ordinary shares and income or expenses generated from conversion of potential dilutive ordinary shares, which were recognized as expenses in the current period, and the effect of relevant income tax.

The weighted average of ordinary shares in issue in the current period when calculating the diluted earnings per share, is a sum of the weighted average of ordinary shares when calculating the basic earnings per share and the weighted average of increased ordinary shares assuming that potential dilutive ordinary shares are converted into ordinary share in issue.

## 5. CHANGE IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF PRIOR MISTAKES

The Group has first adopted the new accounting principles since1 January 2007, and has recognized, measured and reported the transactions or matters of the Group since that date pursuant to the requirements of the new accounting principles. Where a change in accounting policies occurs due to first implementationof the new accounting principles, the Group will adopt the following methods to deal with such matters.

### 5.1 Change in accounting policies accounted for by using retrospective adjustment method

#### Long-term equity investment

Where the equity method is adopted for long-term equity investment before the implementation of the new accounting principles, the difference of initial investment cost over the share of shareholders' equity of investee units is recorded as debit balance in the account of equity investment and amortized to the profit and loss on average over a fixed period. The difference of initial investment cost below the share of shareholders' equity of investee generated before the issue of the document (Cai Hui [2003] No. 10) are recorded as credit balance in equity investment and amortized to the profit and loss on average over a fixed period, whereas the difference incurred after the issue of the document (Cai Hui [2003] No. 10) is accounted in capital surplus.

Please refer to note 4 "Long-Term Equity Investment" for details of accounting policies of long-term equity investment after implementationof the new accounting principles.

#### Investment property

Investment property is measured based on actual cost at acquisition time before implementationof new accounting principles, and the subsequent measurement is made using cost model. Investment property is depreciated or amortized based on accounting policies in line with the accounting policies of fixed assets or intangible assets. Where the recoverable amount of investment property is below its book value at the end of the period, relevant impairment provision is made.

Please refer to note 4 "Investment property" for details of accounting policies of investment property after implementationof the new accounting principles.

#### Compensation for dismissal

Before implementationof the new accounting principles, the compensation for dismissal made at the payment time is charged to the current profit and loss.

Please refer to note 4 "Staff salary" for details of accounting policies of compensation for dismissal after implementationof the new accounting principles.

#### Income tax

Before implementationof the new accounting principles, tax payable method is adopted in the accounting treatment of income tax.

Please refer to note 4 "Income tax" for details of relevant accounting policies of income tax after implementationof the new accounting principles.

#### Consolidation of financial statements

Before implementationof the new accounting principles, the liquidation of Beijing Beiren Tai He Casting Factory, a subsidiary of the Company, commenced in 2003. Pursuant to the Provisional Requirement on Consolidated Financial Statements issued by the Ministry of Finance "Cai Kuai Zi (1995) No.11", this subsidiary is excluded from the scope of consolidation of financial statements. The Company's investment in the subsidiary is accounted for in the consolidated financial statements using equity method.

After implementationof the new accounting principles, please refer to note 4 "Basic methods in preparation of consolidated financial statements" for details of relevant accounting policies of consolidation of financial statements. The Company determines the scope of consolidation on the basis of control, and subsidiaries mentioned in note 7 are within the scope of consolidation.

For the change in accounting principles above, the Group has adjusted the opening balance of this financial statement or the comparative figures of prior period and restated the financial statements of comparable years, pursuant to the requirement of No. 38 of the accounting standards. The effect of aforesaid change in accounting policies on shareholders' equity as at 1 January 2006 and 31 December 2006 is stated as follows:

| | Effect on shareholders' equity ast at 1 January 2006 | | | | | Effect on shareholders' equity ast at 31 December 2006 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Undistributed profit *RMB* | Surplus reserve *RMB* | Capital reserve *RMB* | Minority interest *RMB* | Total *RMB* | Undistributed profit *RMB* | Surplus reserve *RMB* | Capital reserve *RMB* | Minority interest *RMB* | Total *RMB* |
| Accrued liabilities recognized arising from compensation for termination of employment contract with employees | (23,862,232.33) | — | — | — | (23,862,232.33) | (17,011,760.98) | — | — | — | (17,011,760.98) |
| Deferred income tax accounted for using liabilities method through balance sheet | 1,175,596.65 | — | — | 455,871.17 | 1,631,467.82 | 2,201,343.25 | — | — | 574,945.03 | 2,776,288.28 |
| Effect of change in consolidation scope | — | — | — | 4,028,921.86 | 4,028,921.86 | — | — | — | 3,187,940.72 | 3,187,940.72 |
| Minority interests as shareholders' equity | — | — | — | 46,231,826.25 | 46,231,826.25 | — | — | — | 45,887,106.31 | 45,887,106.31 |
| Total | (22,686,635.68) | — | — | 50,716,619.28 | 28,029,983.60 | (14,810,417.73) | — | — | 49,649,992.06 | 34,839,574.33 |

Effect of implementationof the new Accounting Standards for Business Enterprises on the net profit of 2006 as follows:

| | **Amount** *RMB* |
|---|---|
| Accrued liabilities recognized arising from compensation for termination of employment contract with employees | 6,850,471.35 |
| Deferred income tax calculated by using liabilities method through balance sheet | 1,025,746.60 |
| Change in reporting method in minority interests | (1,490,835.38 ) |
| Including: minority interests under original accounting standards | (1,587,125.55 ) |
| Profit and loss attributable to minority interests affected by deferred income tax calculated by using liabilities method through balance sheet | 119,073.86 |
| Profit and loss attributable to minority interests affected by the change in consolidation scope | (22,783.69 ) |
| Total | 6,385,382.57 |

## 5.2 Change in accounting policies accounted for using future applicable methods

Except the change in accounting policies mentioned in 5.1 above, the Group made the following changes in major accounting policies arising from the first implementationof new accounting standards and made accounting treatment by using future applicable methods, including

### Borrowing expense

Before the implementationof new accounting standards, the interests on special borrowings which are incurred for acquisition of fixed assets before they are brought into usable conditions can be capitalized based on recognition principles of capitalizing borrowing expenses, and are charged to the cost of such assets. Other borrowing expenses are charged to long term deferred expenses during the construction period, and other borrowing expenses are recognized as financial cost in the period when accrued. After implementationof new accounting standards, please refer to note 4 "Borrowing expense" for details of the accounting policies of borrowing expense.

### Deferred payment or receivables over normal credit period and acquisition and sale business with financing nature

Before implementationof the new accounting standards, income from sale of goods or provision of labour service with financing nature by using deferred collection methods, are recognized as sale revenue in instalments based on the consideration and collection date stipulated in the contract. After implementationof the new accounting standards, the relevant income are recognized based on fair value of receivable consideration in the contract or agreed consideration after conditions of recognizing income are satisfied. The difference between receivable consideration in the contract or agreed consideration and the fair value are amortized at an actual interest rate and charged to the profit and loss account in the current period during the contract period or agreed period.

Before implementationof the new accounting standards, purchase in deferred intalments over normal credit period, fixed assets and intangible assets in financial nature are recognized as the initial cost of fixed assets or intangible assets based on the total purchase price, and are recognized as initial cost of fixed assets or intangible assets based on the present value of purchase price.

### Intangible assets

— Intangible assets with an uncertain useful life

Before implementationof the new accounting standards, the intangible assets with an uncertain useful life are amortized equally in stages over the expected useful lives since the the month they are acquired and charged to profit and loss account. If expected useful life is longer than the beneficial period as stipulated by the relevant contract or the effective period as stipulated by the law, the amortization period should not exceed the shorter of the beneficial period or the effective period. If there are no specific periods as stipulated by the relevant contract or the effective period as stipulated by the law, the amortization period should not exceed 10 years. After implementationof the new accounting standards, such assets are no longer amortized.

— Land use right

Land use right acquired before the implementation of Accounting Regulations for Business Enterprises or obtained by way of land grant premiums is recorded as intangible assets and is amortized on a straight-line basis for specific term and charged to profit and loss account. Land use right acquired after the implementation of Accounting Regulations for Business Enterprises or obtained by way of land grant premiums before construction of self-use project is recorded as intangible assets and is amortized on a straight-line basis for specific term and charged to profit and loss account. Because of the construction of self-use project, the carrying amount of land use right is transferred to construction cost. After implementation of the new accounting standards, land use right is recorded as intangible assets and is amortized reasably in its useful life.

### Preparation expenses

Before implementation of the new accounting standards, the expenses incurred during preparation stage, except those used in acquisition of fixed assets, are charged to profit and loss account in the current period within the month in which the Company commences production. After implementation of the new accounting standards, the expenses incurred in preparation stage are charged to profit and loss account in the period in which they are incurred.

### Employee welfare expense

Before implementation of the new accounting standards, the Group makes provison for employee welfare expenses based on 14% of total employee wages and charges the expenses to the profit and loss account in the current period. After implementation of the new accounting standards, the Group no longer makes provison for employee welfare expenses based on 4% of total employee wages but determines salary payble (employee welfare) depending on the actual situation and employee welfare plan and charges the expenses to the profit and loss account in the current period.

## 6. TAXATION

### Value added tax (VAT)

The VAT payable is based on the balance of output VAT after deducting the input VAT, while the output VAT is calculated at 17% of sales amount in accordance with relevant taxation rules.

### Income tax

In accordance with the relevant rules and regulations in the PRC, the PRC subsidiaries of the Group's (not including the Company) are subject to PRC income tax levied at a rate of 33%, except for Beijing Beiren Fuji Printing Machinery Company Limited and Shanxi Beiren Printing Machinery Company Limited which are taxed at 12% and 15%, respectively.

According to the Notice No. [2007] 664 announced by the State Administration of Taxation on 19 June 2007, the State Administration of Taxation demanded an immediate correction by its local tax offices on the special preferential income tax policies granted to those nine listed companies (including the Company) whose shares were approved for listing in The Stock Exchange of Hong Kong Limited by the State Council in 1993, which should already be expired and no longer applied. The difference in the income tax resulting from the application of the expired special preferential income tax policies in previous years shall be dealt with pursuant to the relevant regulations of the Law of the People's Republic of China Concerning the Administration of Tax Collection. At this stage, the relevant implementation rules have not yet been announced and the Company is still in the process of communication with the local tax office regarding this matter. The Company is still subject to PRC income tax levied at a rate of 15% in current interim period. Accordingly, the directors of the Company consider that the amount of the potential exposure cannot be estimated reliably, and therefore, no provision has been recognized as at the balance sheet date.

On 16 March 2007, the government of the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. Under the New Law, the income tax rate of certain subsidiaries will be changed to 25% starting from 1 January 2008. The deferred tax has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realized or the liability is settled.

The Group does not have any significant tax liability in any other jurisdiction.

### Other tax

Business tax is applicable to the 5% assessable income of the Company.

Urban maintenance and construction tax is calculated on the basis of the assessable amount of value added tax and business tax. The applicable tax rates are 5% and 7% respectively.

Educational surcharge is calculated on the basis of 3% of the assessable amount of value added tax and business tax of the Company.

# 7. SCOPE OF CONSOLIDATION AND SUBSIDIARIES

| Name of subsidiaries | Registered address | Total voting rights and percentage of equity held by the Company (%) | Principal activities | Registered share capital RMB | Actual investment by the Company RMB | Notes |
|---|---|---|---|---|---|---|
| Beijing Beiren Fuji Printing Company Limited(“Beiren Fuji “) | Chao Yang District, Beijing | 70.00 | Manufacturing of printing machines and sale of self-manufactured products | US$5,100,000 | US$3,570,000 | |
| Beijing Beiren Jing Yan Printing Machinery Factory(“Beiren Jing Yan") | Yan Qing Xi'an, Beijing | 99.76 | Manufacturing of printing machines and spare parts and provision of technical consultancy services | 21,050,000 | 20,999,500 | |
| Beiren Tai He Printing and Casting Factory(“Tai He") | Da Xing District, Beijing | 62.50 | Manufacturing of casting parts for printing machinery | 4,000,000 | 2,500,000 | 1 |
| Hebei Beiren Gei Zhi Ji Company Limited(“Gei Zhi Ji “) | Shi Jia Zhuang, Hebei Province | 50.68 | Manufacturing and sale of paper feeder machines and related accessories | 5,000,000 | 2,534,000 | |
| Haimen Beiren Printing Machinery Company Limited (“Haimen Beiren") | Hai Men, Jiangsu Province | 82.54 | Manufacturing of printing machines and related accessories | 51,000,000 | 42,095,000 | |
| Sheenlite Limited (“Sheenlite") | Hong Kong | 100.00 | Provision of Hong Kong representative office and asset custodial service to the Group | HK$3.00 | HK$3.00 | |
| Beijing Beiren Yuxin Plastic Printing Company Limited(“Yuxin") | Dong Cheng District, Beijing | 68.66 | Printing, binding typesetting and film-setting of books and periodicals | 22,430,000 | 15,400,000 | |
| Shaanxi Beiren Printing Machinery Company Limited (“Shaanxi Beiren") | Wei Nan, Shaanxi Province | 86.24 | Manufacturing, sales and maintenance of printing machines, compound machines, packaging machines, engineering machines, electromechanical machines and parts | 115,000,000 | 99,176,000 | |
| Zhejiang Beiren Printing Machinery Operating and Sale Company Limited (“Zhejiang Beiren") | Hangzhou, Zhejiang Province | 55 | Sale, installation and testing of printing machines and related accessories and provision and provision of technical consultancy services | 1,500,000 | 825,000 | 2 |
| Hubei Beiren Printing Machinery Operating and Sale Company Limited (“Hubei Beiren") | Wuhan, Hubei, Province | 51 | Sale, installation and testing of printing machines and related accessories and provision and provision of technical consultancy services | 1,500,000 | 765,000 | 2 |

*Note1:* Taihe, a subsidiary of the Company, started liquidation in 2003.Pursuant to the Provisional Requirement on Consolidated Financial Statements issued by the Ministry of Finance [Cai Kuai Zi (1995) No.11], Tai He was not included in the scope of consolidation in 2006. The Company's equity investment in Tai He was accounted for in the consolidated financial statements based on the equity method. Pursuant to the regulation of “Accounting Standards for Business Enterprises No.33-Consolidated Financial Statements”, corresponding adjustments were made to the comparative consolidated financial statements for previous year, and Tai He was included in the scope of consolidation. On 18 June 2007, the liquidation was completed and cancelled. However, its operating result and cash flow prior to the liquidation has been reflected in consolidated income statement and consolidated cash flow statement respectively for the period from 1 January to 30 June 2007.

*Note 2:* Note1: Zhejiang Beiren and Hubei Beiren, subsidiaries of the Company, are in the process of liquidation.

Note8-45 and note47-53 are notes to the consolidated financial statements

## 8. CASH AND BANK BALANCES

| | Closing balance | | | Opening balance | | |
|---|---|---|---|---|---|---|
| | *Amount in foreign currency* | *Exchange rate* | *RMB* | *Amount in foreign currency* | *Exchange rate* | *RMB* |
| Cash | | | | | | |
| Renminbi | | | **64,865.83** | | | 45,791.68 |
| Foreign currency | | | | | | |
| — Japanese Yen | **629.04** | **0.061824** | **38.89** | 129.06 | 0.065630 | 8.47 |
| — Hong Kong dollars | **—** | **0.974400** | **—** | — | 1.004700 | — |
| — U.S. dollars | **—** | **7.615500** | **—** | 385.00 | 7.808700 | 3,006.35 |
| — South Korea Won | **—** | **0.008088** | **—** | 54,000.00 | 0.008300 | 448.20 |
| | | | **64,904.72** | | | 49,254.70 |
| Bank balances | | | | | | |
| Renminbi | | | | | | |
| Foreign currency | | | **102,252,926.09** | | | 74,283,574.50 |
| — Japanese Yen | **799,884.19** | **0.061824** | **49,452.04** | 737,445.99 | 0.065630 | 48,398.58 |
| — Hong Kong dollars | **75,495.88** | **0.974400** | **73,563.19** | 75,116.26 | 1.004700 | 75,469.31 |
| — Euro | **—** | **10.233700** | **—** | 486.92 | 10.26650 | 4,998.92 |
| —U.S. dollars | **905,663.32** | **7.615500** | **6,897,079.00** | 217,441.94 | 7.808700 | 1,697,938.91 |
| | | | **109,273,020.32** | | | 76,110,380.22 |
| Other currencies *(note)* in Renminbi | | | **18,332,579.43** | | | 6,701,674.54 |
| Total | | | **127,670,504.47** | | | 82,861,309.46 |

*Note:* Other currencies include RMB17,613,635.14 of deposits for bank acceptance and RMB716,000.00 of performance bond , and RMB2.944.29 of good faith deposits as at 30 June 2007

## 9. BILLS RECEIVABLE

| **Type of bill** | **Closing balance** *RMB* | Opening balance *RMB* |
|---|---|---|
| Bank acceptance notes | **14,504,531.96** | 11,883,778.28 |

Save for RMB4,550,000.00 in bills receivable was pledged to secure the bank borrowings, as at 30 June 2007, the remaining bills receivable have not been pledged and mortgaged.

## 10. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

**Closing balance**

| | **Amount** *RMB* | **Ratio** *(%)* | **Provision for bad debts** *RMB* | **Book value** *RMB* |
|---|---|---|---|---|
| Within 1 year | **345,834,701.54** | **70.01** | **245,582.96** | **345,589,118.58** |
| 1 year-2 years | **87,716,321.19** | **17.76** | **23,156,567.84** | **64,559,753.35** |
| 2 year-3 years | **22,598,326.15** | **4.57** | **11,215,119.34** | **11,383,206.81** |
| Over 3 years | **37,845,176.89** | **7.66** | **37,655,800.43** | **189,376.46** |
| Total | **493,994,525.77** | **100.00** | **72,273,070.57** | **421,721,455.20** |

Opening balance

| | Amount *RMB* | Ratio *(%)* | Provision for bad debts *RMB* | Book value *RMB* |
|---|---|---|---|---|
| Within 1 year | 289,414,925.57 | 66.87 | — | 289,414,925.57 |
| 1 year-2 years | 88,992,825.45 | 20.56 | 17,915,536.71 | 71,077,288.74 |
| 2 year-3 years | 22,688,759.91 | 5.24 | 12,742,046.29 | 9,946,713.62 |
| Over 3 years | 31,746,723.44 | 7.33 | 30,205,826.66 | 1,540,896.78 |
| Total | 432,843,234.37 | 100.00 | 60,863,409.66 | 371,979,824.71 |

Note: During the year, the Company entered into a number of transactions on factoring of accounts receivable to obtain monetary fund for sale of printing machinery with China Merchants Bank, Beijing Jianguo Road Branch and Shanghai Pudong Development Bank, Beijing Economic Technological Development Zone Branch. The balance of factoring of accounts receivable was included in short term loans (see Note 24(2)), according to the notice of circulation of the Provisional Requirement on Accounting Treatment for Credit Receivable Financing Activities entered into between Enterprises and Banks or Financial Institutions (Cai Kuai [2003] No.14). As at 30 June 2007 the balance of factoring of accounts receivable was RMB49,473,475.00.

The top five accounts receivable at the end of the period are as follows:

| **Total amount of the top five accounts receivable at the end of the period** *RMB* | **Aging of accounts** | **Percentage of the total accounts receivable** *%* |
|---|---|---|
| 71,830,030.60 | Within 2 years | 14.68 |

The details of the balance of the accounts receivable due from shareholders who hold 5% or more of the Company's shares are as follows:

| **Name of shareholder** | **Closing balance** *RMB* | Opening balance *RMB* |
|---|---|---|
| Beiren Group Corporation | **910,000.00** | 910,000.00 |

## 11. OTHER RECEIVABLES

The aging of other accounts receivable is analysed as follows:

| | **Closing balance** | | | |
|---|---|---|---|---|
| | **Amount** *RMB* | **Ratio** *(%)* | **Provision for bad debts** *RMB* | **Book value** *RMB* |
| Within 1 year | **10,852,766.44** | **25.72** | **—** | **10,852,766.44** |
| 1 year-2 years | **1,650,745.04** | **3.91** | **—** | **1,650,745.04** |
| 2 year-3 years | **5,342,269.50** | **12.66** | **264,608.00** | **5,077,661.50** |
| Over 3 years *(note)* | **24,345,342.20** | **57.71** | **17,142,675.16** | **7,202,667.04** |
| Total | **42,191,123.18** | **100.00** | **17,407,283.16** | **24,783,840.02** |

| | Opening balance | | | |
|---|---|---|---|---|
| | Amount *RMB* | Ratio *(%)* | Provision for bad debts *RMB* | Book value *RMB* |
| Within 1 year | 21,234,266.41 | 43.03 | — | 21,234,266.41 |
| 1 year-2 years | 2,115,963.93 | 4.29 | 116,647.29 | 1,999,316.64 |
| 2 year-3 years | 3,932,380.20 | 7.97 | 71,173.00 | 3,861,207.20 |
| Over 3 years | 22,069,575.10 | 44.71 | 17,288,892.95 | 4,780,682.15 |
| Total | 49,352,185.64 | 100.00 | 17,476,713.24 | 31,875,472.40 |

The top five other receivables at the end of the period are as follows:

| **Total amount of the top five other receivables at the and of the period** *RMB* | **Aging** | **Percentage of the total accounts receivable** *%* |
|---|---|---|
| 28,008,641.81 | Within 4 years | 66.39 |

The other accounts receivable comprised no amounts due from shareholders who hold more than 5% of the Company's shares.

## 12. PREPAYMENT

| | **Closing balance** | | Opening balance | |
|---|---|---|---|---|
| | *RMB* | *%* | *RMB* | *%* |
| Within 1 year | **23,137,111.97** | **95.15** | 11,396,891.42 | 97.02 |
| 1 year-2 years | **989,158.71** | **4.07** | 333,839.68 | 2.83 |
| 2 year-3 years | **188,830.91** | **0.78** | 10,168.36 | 0.09 |
| Over 3 years | **—** | **—** | 6,640.20 | 0.06 |
| Total | **24,315,101.59** | **100.00** | 11,747,539.66 | 100.00 |

Prepayments comprised no amounts due from shareholders who hold more than 5% of the Company's shares

## 13. INVENTORIES AND PROVISION FOR DIMINUTION IN VALUE OF INVENTORIES

| | Closing balance | | |
|---|---|---|---|
| | **Cost** *RMB* | **Provision for diminution in value** *RMB* | **Book value** *RMB* |
| Raw materials | **107,717,721.29** | **(1,964,204.79 )** | **105,753,516.50** |
| Work in progress | **395,227,670.49** | **(29,467,765.77 )** | **365,759,904.72** |
| Finished goods | **223,654,649.96** | **(37,099,293.65 )** | **186,555,356.31** |
| Semi-finished goods | **17,319,665.45** | **—** | **17,319,665.45** |
| Low value consumables | **1,388,515.74** | **—** | **1,388,515.74** |
| Total | **745,308,222.93** | **(68,531,264.21 )** | **676,776,958.72** |

| | Opening balance | | |
|---|---|---|---|
| | Cost *RMB* | Provision for diminution in value *RMB* | Book value *RMB* |
| Raw materials | 88,617,219.64 | (1,977,640.41 ) | 86,639,579.23 |
| Work in progress | 377,493,460.41 | (37,881,053.89 ) | 339,612,406.52 |
| Finished goods | 314,911,847.91 | (54,423,583.61 ) | 260,488,264.30 |
| Semi-finished goods | 23,154,641.98 | — | 23,154,641.98 |
| Low value consumables | 301,397.72 | — | 301,397.72 |
| Total | 804,478,567.66 | (94,282,277.91 ) | 710,196,289.75 |

## 14. LONG-TERM EQUITY INVESTMENTS

| **Type** | **Closing balance** *RMB* | **Opening balance** *RMB* |
|---|---|---|
| Investment in associated companies *(Note14(1))* | **28,503,322.41** | 31,804,144.61 |
| Other investment *(Note14(2))* | **50,000.00** | 50,000.00 |
| Less: provision for diminution of long term equity investment *(Note14(2))* | **50,000.00** | 50,000.00 |
| Long term equity investment, net | **28,503,322.41** | 31,804,144.61 |

### (1) Details of the Company's investment in associated companies are as follows:

| Name of investees | Initial investment *RMB* | Opening balance *RMB* | New investments in the period *RMB* | Income and loss adjustment in the period *RMB* | Interest adjustment in the period *RMB* | Cash dividend in the period *RMB* | Other decrease *RMB* | Closing balance *RMB* | Share of Registered capital of investee *%* |
|---|---|---|---|---|---|---|---|---|---|
| Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited ("Beiren Hengtong") | 900,000.00 | 589,485.35 | — | (278,222.00) | — | — | — | 311,263.35 | 45 |
| Liaoning Beiren Printing Machinery Operation and Sale Company Limited ("Liaoning Beiren")*(note)* | 343,000.00 | 192,715.04 | — | — | — | — | (192,715.04) | — | 49 |
| Beijing Beiying Moulding Company Limited (" Beiying") | 1,136,000.00 | 4,170,136.91 | — | 420,226.13 | — | — | — | 4,590,363.04 | 20 |
| Beijing Monigraf Automatic Systems Company Limited ("Monigraf") | 3,675,000.00 | 7,901,363.60 | — | (63,291.49) | — | — | — | 7,838,072.11 | 49 |
| Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited | 22,540,000.00 | 18,950,443.71 | — | (3,186,819.80) | — | — | — | 15,763,623.91 | 49 |
| | 28,594,000.00 | 31,804,144.61 | — | (3,108,107.16) | — | — | (192,715.04) | 28,503,322.41 | |

Note: The Company completed the liquidation of Liaoning Beiren and cancelled the business registration during the period with a liquidation income of RMB40,568.86.

As at 30 June 2007 , the list of associated companies and their key financial information were as follows:.

| Name of investee | Registered address: | Nature of business | Registered capital | Percentage to registered capital of investee | Percentage to voting right of investee | Total assets of investees at the end of the period | Total liability of investee at the end of the period | Total income of investees from January 2007 to April 2007 | Net profit of investees from January 2007 to April 2007 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | *%* | *%* | *RMB* | *RMB* | *RMB* | *RMB* |
| Beiren Hengtong | Beijing | Trading | 200 | 45 | 45 | 5,210,181.74 | 4,492,416.90 | 2,922,222.26 | (618,271.10) |
| Beiying | Beijing | Machinery manufacture | 568 | 20 | 20 | 62,225,945.87 | 39,658,009.71 | 51,972,730.14 | 2,101,130.62 |
| Monigraf | Beijing | Machinery manufacture | 750 | 49 | 49 | 25,025,207.48 | 9,028,266.76 | 1,393,162.44 | (129,166.28) |
| Mitsubishi Beiren | Beijing | Machinery manufacture | 4600 | 49 | 49 | 85,303,869.05 | 53,133,208.02 | 48,822,286.84 | (6,503,713.88) |

### (2) Detailed information of other equity investment are as follows:

| | | Closing balance *RMB* | Opening balance *RMB* |
|---|---|---|---|
| Ying Shen Associated Company Limited | *Note* | **50,000.00** | 50,000.00 |
| Less: provision for diminution in value of long term equity investment | | **(50,000.00 )** | (50,000.00 ) |
| | | — | — |

Note: Investment to Ying Shen Associated Company Limited by Shaanxi Beiren Printing Machinery Company Limited ("Shaanxi Beiren", a subsidiary of the Company) amounted to RMB50,000.00 in total. Since the Company had no control or material influence on the said investment which is expected to be irrecoverable, provision for diminution in value long term equity investment was made in full for such investment amount during previous year.

## 15. INVESTMENT PROPERTIES

Property held for investment subsequently measured using the cost method

| | Buildings | Land use right | Total |
|---|---|---|---|
| At cost | | | |
| Opening balance | 73,483,949.06 | 18,425,200.00 | 91,909,149.06 |
| Closing balance | 73,483,949.06 | 18,425,200.00 | 91,909,149.06 |
| Accumulated depreciation and accumulated amortisation | | | |
| Opening balance | (2,987,421.08 ) | (184,252.00 ) | (3,171,673.08 ) |
| Provision for the year | (812,276.68 ) | (184,251.96 ) | (996,528.64 ) |
| Closing balance | (3,799,697.76 ) | (368,503.96 ) | (4,168,201.72 ) |
| Net value | | | |
| Opening balance | 70,496,527.98 | 18,240,948.00 | 88,737,475.98 |
| Closing balance | 69,684,251.30 | 18,056,696.04 | 87,740,947.34 |

*Notes:*

1. The Company leased the plant originally valued at RMB85,005,255.87 to Beiying, for a term to be expired on 31 December 2007, for a rent of RMB2,203,532.34.

2. The Company leased a plant originally valued at RMB5,674,099.04 to Mitsubishi Beiren for a term to be expired on 30 June 2015, for a rent of RMB810,788.00 .

3. The Company leased a plant originally valued at RMB1,229,794.15 to Mitsubishi Beiren for a term to be expired on 30 June 2007, for a rent of RMB50,000.00 .

## 16. FIXED ASSETS

| | Buildings RMB | Plant and machinery RMB | Motor vehicle RMB | Furniture, fixture and equipment RMB | Total RMB |
|---|---|---|---|---|---|
| At cost | | | | | |
| Opening balance | 483,486,699.75 | 507,621,250.90 | 21,290,046.18 | 82,914,555.59 | 1,095,312,552.42 |
| Additions | — | 4,754,872.22 | 268,484.02 | 354,694.97 | 5,378,051.21 |
| Transfer from construction in progress | 19,796,117.85 | 11,701,051.59 | — | — | 31,497,169.44 |
| Decreased amount during the period | (118,098.82) | (458,055.00) | (941,168.00) | (1,160,625.02) | (2,677,946.84) |
| Other transfer out during the period | (717,864.62) | — | — | — | (717,864.62) |
| Closing balance | 502,446,854.16 | 523,619,119.71 | 20,617,362.20 | 82,108,625.54 | 1,128,791,961.61 |
| Accumulated depreciation | | | | | |
| Opening balance | 86,753,210.82 | 293,430,269.22 | 14,559,441.59 | 60,588,033.28 | 455,330,954.91 |
| Provision for the period | 6,381,167.25 | 12,515,477.16 | 906,048.24 | 2,479,627.57 | 22,282,320.22 |
| Decreased amount during the period | (111,200.55) | (427,441.05) | (706,662.15) | (645,734.06) | (1,891,037.81) |
| Other transfer out in the period | — | — | — | — | — |
| Closing balance | 93,023,177.52 | 305,518,305.33 | 14,758,827.68 | 62,421,926.79 | 475,722,237.32 |
| Provision for impairment | | | | | |
| Opening balance | 3,000,000.00 | 21,505,623.58 | 213,571.00 | — | 24,719,194.58 |
| Provision for the period | — | — | — | — | — |
| Reversalin the period | — | — | — | — | — |
| Closing balance | 3000,000.00 | 21,505,623.58 | 213,571.00 | — | 24,719,194.58 |
| Net book values | | | | | |
| At beginning of the period | 393,733,488.93 | 192,685,358.10 | 6,517,033.59 | 22,326,522.31 | 615,262,402.93 |
| At end of the period | 406,423,676.64 | 196,595,190.80 | 5,644,963.52 | 19,686,698.75 | 628,350,529.71 |
| Including: | | | | | |
| Net assets pledged at the end of the period *(note)* | 8,072,028.35 | 11,880,143.52 | — | — | 19,952,171.87 |

*Note :* The amounts represent the net amounts of assets pledged as charge as at the end of the period to secure the short term loans granted to the Company's subsidiaries Shaanxi Beiren and Haimen Beiren (see Note 23).

## 17. CONSTRUCTION IN PROGRESS

| Project name | Opening balance *RMB* | Decrease arising from disposal of subsidiaries *RMB* | Increase in the period *RMB* | Transfer upon completion in the period *RMB* | Closing balance *RMB* | Source of funds *%* | Budget amount | Percentage of project input in budget |
|---|---|---|---|---|---|---|---|---|
| Equipment renovation | 5,709,648.69 | — | 1,283,714.55 | 3,502,009.65 | 3,491,353.59 | Internal resources | 7,490,600.00 | 93 |
| Development of new plant site | 36,287,690.93 | — | 21,236,082.95 | 19,796,117.85 | 37,727,656.03 | Internal resources | 44,180,300.00 | 85 |
| Workshop improvements | 157,502.89 | — | 8,537,537.95 | 8,199,041.94 | 495,998.90 | Internal resources | 150,000.00 | 100 |
| | 42,154,842.51 | — | 31,057,335.45 | 31,497,169.44 | 41,715,008.52 | | | |
| Less: provision for impairment | 1,165,827.82 | | | | 1,165,827.82 | | | |
| Construction in progress, net | 40,989,014.69 | | | | 40,549,180.70 | | | |

As at 30 June 2007, the capitalised amount of interest included in closing balance of construction in process was RMB933,336. Capitalised borrowings expense for the year was RMB933,336.

## 18. INTANGIBLE ASSETS

| | Land use right | Industrial property right and technical knowledge | Software | Total |
|---|---|---|---|---|
| | *RMB* | *RMB* | *RMB* | *RMB* |
| | *(Note 1)* | *(Note 2)* | *(Note 3)* | |
| Obtaining method | | | | |
| At cost | | | | |
| Opening balance | 125,479,328.28 | 9,658,535.52 | 720,747.00 | 135,858,610.80 |
| Increase in the period | — | — | 45,245.00 | 45,245.00 |
| Other transfer in | 717,864.62 | — | — | 717,864.62 |
| Closing balance | 126,197,192.90 | 9,658,535.52 | 765,992.00 | 136,621,720.42 |
| Accumulated amortisation | | | | |
| Opening balance | (9,445,225.02) | (7,987,621.56) | (278,419.00) | (17,711,265.58) |
| Increase in the period | (1,260,957.40) | (282,151.38) | (33,064.00) | (1,576,172.78) |
| Closing balance | (10,706,182.42) | (8,269,772.94) | (311,483.00) | (19,287,438.36) |
| Net value | | | | |
| Opening balance | 116,034,103.26 | 1,670,913.96 | 442,328.00 | 118,147,345.22 |
| Closing balance | 115,491,010.48 | 1,388,762.58 | 454,509.00 | 117,334,282.06 |
| Including: | | | | |
| Net assets pledged at the end of the period | 19,146,125.55 | — | — | 19,146,125.55 |

*Note1:* As at 30 June 2007, the Company had not obtained the certificate of land use right for the land purchased in Da Xing District, Beijing.

*Note 2:* The industrial property right and technical knowhow of the Company was invested or purchased by its investors.

*Note 3:* The software was purchased by the Company.

*Note 4:* The amounts represent the net amounts of assets pledged as charge as at the end of the period to secure the short term loans granted to the Company's subsidiaries Shaanxi Beiren and Haimen Beiren (see Note 23).

## 19. GOODWILL

| | **Closing balance** | Opening balance |
|---|---|---|
| | *RMB* | *RMB* |
| At cost | **1,106,334.60** | 1,106,334.60 |
| Less: Provision for imparement | **(1,106,334.60)** | (1,106,334.60) |
| Net value | **—** | — |

Goodwill was derived from the Company's investment to Haimen Beiren, a subsidiary of the Company. However, the Company has made impairment provision in full due to the poor operating performance of Haimen Beiren.

## 20. DEFERRED INCOME TAX ASSET

| | **Deductible temporary differences** | |
|---|---|---|
| | **Closing balance** | Opening balance |
| | *RMB* | *RMB* |
| Provision for bad debts | **9,856,005.67** | 8,371,838.48 |
| Provision for diminution in value of inventories | **9,125,421.98** | 12,116,714.80 |
| Total | **18,981,427.65** | 20,488,553.28 |

| | **Deferred income tax asset** | | | |
|---|---|---|---|---|
| | **Opening balance** | **Profit and loss recognised for the** | **Other** | **Closing balance** |
| | *RMB* | *RMB* | *RMB* | *RMB* |
| Provision for bad debts | 1,218,620.77 | 1,084,375.65 | — | 2,302,996.42 |
| Provision for diminution in value of inventories | 1,557,667.51 | (13,416.02) | — | 1,544,251.49 |
| Total | 2,776,288.28 | 1,070,959.63 | — | 3,847,247.91 |

## 21. OTHER NON-CURRENT ASSETS

| Type | Initial amount | Opening balance | Amortisation in the year | Closing balance | Remaining amortisation period |
|---|---|---|---|---|---|
| | *RMB* | *RMB* | *RMB* | *RMB* | *Year* |
| Land development cost | 15,634,000.00 | 12,128,291.10 | (33,000.00) | 12,095,291.10 | 36.50 |
| Others | 63,900.00 | 11,715.00 | (1,065.00) | 10,650.00 | 0.50 |
| | 15,697,900.00 | 12,140,006.10 | (34,065.00) | 12,105,941.10 | |

*Note:* The land development cost was contributed at valued amount into the Company by Beiren Group Corporation upon the Company's reorganisation as a joint stock company.

## 22. PROVISION FOR ASSET IMPAIRMENT

| | Opening balance | Provision in the period | Reversal in the period | Write off in the period | Closing balance |
|---|---|---|---|---|---|
| | *RMB* | *RMB* | *RMB* | *RMB* | *RMB* |
| Provision for bad debts | 78,340,122.90 | 11,645,580.83 | (305,350.00) | — | 89,680,353.73 |
| Including: Accounts receivable | 60,863,409.66 | 11,419,660.91 | (10,000.00) | — | 72,273,070.57 |
| Other receivables | 17,476,713.24 | 225,919.92 | (295,350.00) | — | 17,407,283.16 |
| Provision for diminution in value of inventories | 94,282,277.91 | 1,102,475.36 | — | (26,853,489.06) | 68,531,264.21 |
| including: Finished goods in stock | 54,423,583.61 | — | — | (17,324,289.96) | 37,099,293.65 |
| Work in progress | 37,881,053.89 | 1,102,475.36 | — | (9,515,763.48) | 29,467,765.77 |
| Raw materials | 1,977,640.41 | — | — | (13,435.62) | 1,964,204.79 |
| Provision for diminution in value of long term equity investments | 50,000.00 | — | — | — | 50,000.00 |
| Provision for fixed assets impairment | 24,719,194.58 | — | — | — | 24,719,194.58 |
| including: Building | 3,000,000.00 | — | — | — | 3,000,000.00 |
| Plant and machinery | 21,505,623.58 | — | — | — | 21,505,623.58 |
| Transportation vehicles | 213,571.00 | — | — | — | 213,571.00 |
| Provision for diminution in value of construction in progress | 1,165,827.82 | — | — | — | 1,165,827.82 |
| Provision for diminution in value of goodwill | 1,106,334.60 | — | — | — | 1,106,334.60 |
| Total | 199,663,757.81 | 12,748,056.19 | (305,350.00) | (26,853,489.06) | 185,252,974.94 |

## 23. ASSET WITH OWNERSHIP RESTRICTED

| Type of asset with ownership restricted | Opening balance | Increased amount during the period | Decrease amount during the period | Closing balance |
|---|---|---|---|---|
| | *RMB* | *RMB* | *RMB* | *RMB* |
| Pledged asset | | | | |
| Buildings | 10,239,423.97 | — | (2,167,395.62) | 8,072,028.35 |
| Plant and machinery | 12,304,090.54 | — | (423,947.02) | 11,880,143.52 |
| Intangible asset- land use right | 22,171,184.80 | — | (3,025,059.25) | 19,146,125.55 |
| Total | 44,714,699.31 | — | (5,616,401.89) | 39,098,297.42 |

Pledged assets are mainly used for:

(1) The 1-year short term loan of RMB14,500,000.00 bearing an annual interest rate of 6.143% and 1-year short term loan of RMB10,000,000.00 bearing an annual interest of 5.859% provided to Shaanxi Beiren by China Industrial and Commercial Bank, Weinan Branch and China Construction Bank , Weinan Branch was secured by land use right with net value of RMB14,442,244.89; the 1-year term loan of RMB7,700,000.00 bearing an annual interest rate of 6.138% provided to Shaanxi Beiren by China Industrial and Commercial Bank, Weinan Branch was secured by machinery with net value of RMB9,858,707.60.

(2) The 1-year short term loans of RMB1,000,000.00, RMB 450,000.00 RMB 500,000.00 bearing annual interest rates of 7.800% , 7.308% and 8.196% respectively provided to Haimen Beiren by Haimen City Credit Cooperative were secured by plant and machinery with net value of RMB2,021,435.92.The 1-year short term loans of RMB3,500,000.00, RMB4,500,000.00 , RMB2,000,000.00 bearing annual interest rates of 8.363%,7.020% and 7.884% respectively provided by China Industrial and Commercial Bank, Haimen Branch to Haimen Beiren were secured by land use right with an net value of 4,703,880.66 and buildings with an net value of 8,072,028.35..

## 24. SHORT TERM LOANS

| | | Closing balance *RMB* | Opening balance *RMB* |
|---|---|---|---|
| Bank loans | | **361,173,475.00** | 350,023,825.01 |
| Including: | | | |
| Pledged loans | Note 1 | **44,150,000.00** | 42,150,000.00 |
| Pledged loans | Note 2 | **54,023,475.00** | 54,873,825.01 |
| Guaranteed loans | Note 3 | **43,000,000.00** | 48,000,000.00 |
| Credit loans | | **220,000,000.00** | 205,000,000.00 |
| Total | | **361,173,475.00** | 350,023,825.01 |

*Note 1:* The type and amount of pledged assets (see Note 23).

*Note 2:* The pledged bank loans as at 30 June 2007 include:

(1) As at 30 June 2007, the Company entered into new contracts on factoring of accounts receivable with China Merchants Bank, Bejing Jianguo Road Branch and Shanghai Pudong Development Bank, Beijing EconomicTechnological Development Zone Branch with a total contractual amount of RMB21,915,000.00. The amount of factoring of accounts receivable due within 2007 was RMB23,325,350.01. As at 30 June 2007, the outstanding short term pledged bank loans under the said contracts on factoring of accounts receivable amounted to RMB49,473,475.00.

(2) As at the end of 2006, the Company's subsidiaries Shaanxi Beiren and Hebei Beiren Paper Feeder Company Limited discounted outstanding bills receivable of RMB1,250,000.00 and RMB3,300,000.00 respectively, resulting in outstanding pledged bank loans of RMB4,550,000.00.

*Note 3:* Among the guaranteed bank loans as at 30 June 2007, RMB25,000,000.00 bearing annual interest rates from 5.022% to 5.301% was guaranteed by Beiren Group Corporation, and RMB18,000,000.00 bearing an annual interest of 6.138% was guaranteed by Cinder Real Estate Development Company Limited.

## 25. BILLS PAYABLE

| Type | Closing balance *RMB* | Opening balance *RMB* |
|---|---|---|
| Banker's acceptance | **55,018,259.24** | 39,819,924.47 |

Balance of bills payable due to shareholders who hold 5% or more of the share capital of the Company is as follows:

| Name of shareholder | Closing balance *RMB* | Opening balance *RMB* |
|---|---|---|
| Beiren Group Corporation | **200,000.00** | — |

## 26. ACCOUNTS PAYABLE

Accounts payable to shareholders who hold 5% or more of the share capital of the Company:

| Name of shareholder | Closing balance *RMB* | Opening balance *RMB* |
|---|---|---|
| Beiren Group Corporation | **2,698,990.91** | 5,564,997.38 |

## 27. PREPAYMENT

Prepayments comprised no amount from shareholders or connected parties who held more than 5% of the Company's shares with voting rights.

## 28. EMPLOYEES' SALARY PAYABLE

| | Opening balance *RMB* | Increase in the period *RMB* | Payment in the period *RMB* | Closing balance *RMB* |
|---|---|---|---|---|
| Salary, bonus, allowance and subsidy | 17,918,773.15 | 51,157,148.56 | (55,591,412.64) | 13,484,509.07 |
| Staff welfare expanse | 5,426,687.51 | 1,508,458.20 | (4,774,702.54) | 2,160,443.17 |
| Social insurance | 10,375,254.78 | 20,710,334.33 | (19,879,525.26) | 11,206,063.85 |
| Including: Medical insurance | 5,977,219.94 | 6,187,989.99 | (5,910,984.96) | 6,254,224.97 |
| Basic pension insurance | 3,723,517.77 | 11,409,612.04 | (10,799,280.68) | 4,333,849.13 |
| Unemployment insurance | 432,537.19 | 1,645,147.49 | (1,553,642.41) | 524,042.27 |
| Injury insurance | 152,791.40 | 827,260.70 | (937,385.47) | 42,666.63 |
| Maternity insurance | 89,188.48 | 640,324.11 | (678,231.74) | 51,280.85 |
| Housing Fund | 3,529,626.55 | 4,530,222.66 | (4,866,728.76) | 3,193,120.45 |
| Labour union fund and fund for staff education | 2,087,710.48 | 2,729,479.99 | (2,434,636.59) | 2,382,553.88 |
| Other | 528,674.47 | 3,324,026.63 | (3,517,562.13) | 335,138.97 |
| Total | 39,866,726.94 | 83,959,670.37 | (91,064,567.92) | 32,761,829.39 |

As at the statement date, unpaid salaries payable and wages for employees who retired early are as follows:

| | **Closing balance** *RMB* | Opening balance *RMB* |
|---|---|---|
| Unpaid wages payable | **251,277.60** | 907,012.17 |
| Remuneration for the employees who early retired | **13,233,231.47** | 17,011,760.98 |
| Total | **13,484,509.07** | 17,918,773.15 |

## 29. TAXES PAYABLES

| | **Closing balance** *RMB* | Opening balance *RMB* |
|---|---|---|
| Income tax | **120,336.99** | 737,632.72 |
| Value added tax | **11,541,712.13** | 8,645,220.45 |
| Business tax | **53,762.06** | 164,856.21 |
| Urban maintenance and construction tax | **660,010.29** | 292,716.66 |
| Others | **862,363.94** | 4,282,191.28 |
| Total | **13,238,185.41** | 14,122,617.32 |

## 30. OTHER PAYABLES

The balance of other payables due to shareholders who hold 5% or more of the share capital of the Company is as follows:

| **Name of shareholder** | **Closing balance** *RMB* | Opening balance *RMB* |
|---|---|---|
| Beiren Group Corporation | **14,996,324.25** | 14,996,324.25 |

*Note:* As at 30 June 2007, the Company had payments of RMB14,996,324.25 due to Beiren Group Corporation in respect of the acquisition of assets of Beijing No. 4 Plant.

## 31. LONG TERM LIABILITIES DUE WITHIN ONE YEAR

| | **Closing balance** *RMB* | Opening balance *RMB* |
|---|---|---|
| Long term liabilities due within one year *(Note 1)* | **29,550,000.00** | 29,550,000.00 |
| Long term loans due within one year *(Note 2)* | **2,000,000.00** | 4,000,000.00 |
| | **31,550,000.00** | 33,550,000.00 |

*Note 1:* At the time the Company's subsidiary Beijing Beiren Yuxin Plastic Printing Company Limited ("Beiren Yuxin") was set up, its minority shareholder Beijing Plastic Printing Factory contributed part of its net assets to Beiren Yuxin in December2001 as its long term investment therein, including a long term loan of Rmb18,450,000.00 and a short term loan of Rmb11,100,000.00.In 2002, Beiren Yuxin and Beijing Plastic Printing Factory reached an agreement upon negotiations that Beijing Plastic Printing Factory agreed to undertake the obligations of repaying the principal and interest thereon. Beiren Yuxin will be required to repay the above mentioned amount to Beijing Plastic Printing Factory by equal installments.

*Note 2:* The long term loans due within one year represents long term loans provided by Agricultural Bank of China, Weinan Branch to the subsidiary of the Company Shaanxi Beiren. (see Note 33).

## 32. OTHER CURRENT LIABILITIES

| | Closing balance *RMB* | Opening balance *RMB* |
|---|---|---|
| Deferred income | | |
| Subsidy fund for brainstorm and development of key technologies of superior intrusion printing press | 1,300,000.00 | — |
| Accruals | | |
| Auditing fee: | 75,000.00 | 150,000.00 |
| Others | 1,350,249.61 | 91,822.70 |
| Total | 2,725,249.61 | 241,822.70 |

## 33. LONG-TERM LOANS

| Name of Lender | Closing balance RMB | Opening balance RMB | Term of loans | Interest rate per annum % | Terms of loans | |
|---|---|---|---|---|---|---|
| China Agricultural Bank (Wei Nan Branch) Business department | 29,000,000.00 | 4,000,000.00 | 2007.1.23 - 2012.1.23 | 7.78 | Guaranteed loans | *Note* |
| | 29,000,000.00 | 4,000,000.00 | | | | |
| Less: Long term debt due within one year | (2,000,000.00) | (4,000,000.00) | | | | |
| Repayable due after one year | 27,000,000.00 | — | | | | |
| Types of loans repayable within one year: Guaranteed loans | 2,000,000.00 | 4,000,000.00 | | | | |

*Note:* Among the balance at the end of the year, the long term loan of RMB29,000,000.00 provided by China Agricultural Bank, Weinan Branch was guaranteed by Weinan City Cinder Real Estate Development Company Limited for the Company, with a term from 23 January 2007 to 23 January 2012 and bearing an interest rate of 7.780% per annum.

## 34. ACCRUED LIABILITIES

| | | Closing balance *RMB* | Opening balance *RMB* |
|---|---|---|---|
| Accrued liabilities | *Note* | **17,501,489.65** | 17,501,489.65 |

*Note1:* The accrued liabilities arose from the Company's acquisition of Shaanxi Beiren in 2002, and still unpaid in the period.

## 35. DEFERRED INCOME TAX LIABILITIES

| | Closing balance and opening balance *RMB* |
|---|---|
| Deferred income tax liabilities | 242,941.38 |

In accordance with the relevant regulations issued by the Ministry of Finance, the future tax payable arising from investment in non-cash assets before 1997 in respect of the excess of fair values over the book values of non-cash assets used for the purpose of investments is transferred to deferred tax credit.

## 36. SHARE CAPITAL

### (1) The changes in share capital of the Company are as follows:

| | Opening balance *RMB* | Increase during the period *RMB* *(note)* | Decrease during the period *RMB* *(note)* | Closing balance *RMB* |
|---|---|---|---|---|
| I. Circulating shares subject to trading moratorium | | | | |
| 1. Promoters' shares | | | | |
| Domestic legal person shares | 222,640,000.00 | — | (21,100,000.00 ) | 201,540,000.00 |
| Total number of unlisted non-circulating shares | 222,640,000.00 | — | (21,100,000.00 ) | 201,540,000.00 |
| II. Listed circulating shares | | | | |
| 1. Renminbi ordinary shares | 99,360,000.00 | 21,100,000.00 | — | 120,460,000.00 |
| 2. H shares listed overseas | 100,000,000.00 | — | — | 100,000,000.00 |
| Total number of listed circulating shares | 199,360,000.00 | 21,100,000.00 | — | 220,460,000.00 |
| Total | 422,000,000.00 | 21,100,000.00 | (21,100,000.00 ) | 422,000,000.00 |

The nominal value of each of the above shares is RMB1.00.

*Note:* The 21,100,000 shares of circulating shares subject to trading moratorium held by the Company's controlling shareholder Beiren group have been listed on 5 June 2007 in accordance with Provisions on Management of Share Reform Proposals of Listed Companies.

### (2) Allowable time of listing and transaction for shares subject to trading moratorium

| Expected listing time | New tradable shares upon the expiration of trading moratorium | Balance of shares subject to trading moratorium | Shares not subject to trading moratorium |
|---|---|---|---|
| 31 March 2008 | 21,100,000.00 | 180,440,000.00 | 241,560,000.00 |
| 31 March 2009 | 180,440,000.00 | — | 422,000,000.00 |

## 37. CAPITAL RESERVE

| | Opening balance *RMB* | Increase during the period *RMB* | Decrease during the period *RMB* | Closing balance *RMB* |
|---|---|---|---|---|
| Share Premium | 517,305,478.93 | — | — | 517,305,478.93 |
| Other capital reserve | 5,714,792.13 | — | — | 5,714,792.13 |
| Including: Other changes in owners' equity of the investee (other than net profit and loss) | 2,303,753.71 | — | — | 2,303,753.71 |
| | 523,020,271.06 | — | — | 523,020,271.06 |

## 38. SURPLUS RESERVE

| | Statutory surplus reserve *RMB* | Discretionary surplus reserve *RMB* | Total *RMB* |
|---|---|---|---|
| Opening balance | 154,686,504.76 | 42,979,710.17 | 197,666,214.93 |
| Provision for the period | — | — | — |
| Transfer out during the period | — | — | — |
| Closing balance | 154,686,504.76 | 42,979,710.17 | 197,666,214.93 |

Statutory surplus reserve can be used to cover loss recorded before, expand production capacity and operations and increase capital.

## 39. RETAINED PROFITS

| | **Six months ended 30 June 2007 (Accumulated)** *RMB* | Six months ended 30 June 2006 (Accumulated) *RMB* |
|---|---|---|
| Retained profits at 1 January 2007(prior to adjustment) | **22,474,593.24** | 139,909,389.09 |
| Impact from changes in accounting policies | **(14,810,417.73)** | (22,686,635.68) |
| 期初未分配利潤(調整後，詳見附註5.1)Retained profit at 1 January 2007 (after adjustment, see note 5) | **7,664,175.51** | 117,222,753.41 |
| Add: Net profit for the period | **11,221,224.96** | (80,018,577.90) |
| Less: Transfer to statutory surplus reserve | **—** | — |
| Profits distributable to shareholders | **18,885,400.47** | 37,204,175.51 |
| Less: Cash dividend payable approved by general meeting *(note )* | **—** | 29,540,000.00 |
| Retained profit at 30 June 2007 | **18,885,400.47** | 7,664,175.51 |

*Note 2:* Cash dividend approved by general meeting

As approved by the 2005 annual general meeting, a cash dividend of RMB0.70 (including tax) for every 10 shares was distributed to all of its shareholders on the basis of the Company's total issued share capital of 422,000,000 shares of RMB1.00 each.

## 40. OPERATING INCOME/OPERATING COST

| | **For six months ended 30 June 2007 (Accumulated)** | | For six months ended 30 June 2006 (Accumulated) | |
|---|---|---|---|---|
| | **Turnover** *RMB* | **Cost of sales** *RMB* | Turnover *RMB* | Cost of sales *RMB* |
| Principal operations | | | | |
| Domestic sales | | | | |
| Sheet-fed offset printing press | **290,410,710.30** | **237,169,914.69** | 242,403,123.38 | 196,966,679.56 |
| Web-fed offset printing press | **120,632,307.75** | **90,113,614.90** | 131,257,265.17 | 92,385,209.28 |
| Intrusion printing machines | **53,939,926.56** | **40,992,904.63** | 72,099,743.82 | 57,591,391.93 |
| Form-printing machines | **15,606,837.60** | **13,575,579.64** | 27,305,982.90 | 21,545,610.46 |
| Sale of spare parts | **13,137,925.13** | **9,347,293.20** | 6,528,762.28 | 4,293,407.08 |
| Printing operations | **12,493,521.79** | **9,303,417.18** | 8,426,901.06 | 6,127,788.53 |
| Others | **3,010,678.53** | **1,719,751.54** | 3,386,177.99 | 2,257,523.46 |
| | **509,231,907.66** | **402,222,475.78** | 491,407,956.60 | 381,167,610.30 |
| Overseas sales | | | | |
| Sales of printing press | **40,876,635.62** | **27,087,678.10** | 23,117,666.84 | 16,585,567.24 |
| Other business | | | | |
| Sales of materials | **751,105.54** | **768,933.11** | 2,023,095.25 | 1,781,060.71 |
| Lease | **3,609,729.36** | **1,505,068.44** | 2,727,320.57 | 790,537.19 |
| Others | **831,410.65** | **15,183.59** | 576,517.58 | 946,266.73 |
| | **5,192,245.55** | **2,289,185.14** | 5,326,933.40 | 3,517,864.63 |
| Total | **555,300,788.83** | **431,599,339.02** | 519,852,556.84 | 401,271,042.17 |

From 1 January 2007 to 30 June 2007, total operating income from the top five customers was RMB71,410,940.17, accounting for 12.86% of the operating income.

## 41. SALES TAX AND SURCHARGE OF OPERATIONS

| **Type of tax** | **For six months ended 30 June 2007 (Accumulated)** *RMB* | For six months ended 30 June 2006 (Accumulated) *RMB* |
|---|---|---|
| Business Tax | **182,435.84** | 4,600.00 |
| Urban City Construction development Tax | **2,316,273.87** | 2,203,809.62 |
| Educational Surcharge | **1,023,210.87** | 973,419.56 |
| Others | **44,023.84** | 1,862.76 |
| Total | **3,565,944.42** | 3,183,691.94 |

## 42. FINANCE COSTS

| | For six months ended 30 June 2007 (Accumulated) *RMB* | For six months ended 30 June 2006 (Accumulated) *RMB* |
|---|---|---|
| Interest expenses | **8,567,244.43** | 8,290,041.02 |
| Less: Interest income | **468,940.22** | 540,970.29 |
| Exchange loss (Less: Exchange income) | **156,761.06** | 413,485.21 |
| Discount interest of bank acceptance notes | **96,212.77** | 93,778.50 |
| Handling charge | **181,941.17** | 169,167.03 |
| Others | **215,817.86** | 39,794.58 |
| | **8,749,037.07** | 8,465,296.05 |

## 43. IMPAIRMENT LOSS IN ASSETS

| | | For six months ended 30 June 2007 (Accumulated) *RMB* | For six months ended 30 June 2006 (Accumulated) *RMB* |
|---|---|---|---|
| Loss from bad debts | | **11,340,230.83** | 4,011,976.59 |
| including: | Accounts receivable | **11,409,660.91** | 4,049,964.07 |
| | Other receivables | **(69,430.08)** | (37,987.48) |
| | Loss from inventories diminution | **1,102,475.36** | 3,341,114.31 |
| Including: | Finished goods | **—** | 3,665,538.61 |
| | Work in progress | **1,102,475.36** | (324,424.30) |
| | Impairment loss from fixed assets | **—** | (3,500,000.00) |
| Including: | buildings | **—** | (3,500,000.00) |
| | | **12,442,706.19** | 3,853,090.90 |

## 44. INVESTMENT INCOME

| | *Note* | For six months ended 30 June 2007 (Accumulated) *RMB* | For six months ended 30 June 2006 (Accumulated) *RMB* |
|---|---|---|---|
| Long term investment income | | | |
| Profit/loss from disposal of long term equity investments | (1) | **1,594,509.34** | 1,000.00 |
| Profit recognized using equity method | | **(3,108,107.16)** | 384,227.88 |
| Total | | **(1,513,597.82)** | 385,227.88 |

*Note:* During the period, the Company completed liquidation of Beiren Tai He, a subsidiary of the Company with a liquidation income of RMB1,553,940.48 in total according to the liquidation result. Liaoning Beiren, an associate of the Company, completed liquidation, and the Company obtained a liquidation income of RMB40,568.86 in total according to the liquidation result.

## 45. NON-OPERATING INCOME

| | For six months ended 30 June 2007 (Accumulated) *RMB* | For six months ended 30 June 2006 (Accumulated) *RMB* |
|---|---|---|
| Income from disposal of fixed assets | **47,341.64** | 220,156.44 |
| Default fine | **51,813.00** | — |
| Net income from penalty | **150.00** | 187,842.15 |
| Income reversed from long-term unpaid accounts | **277,261.00** | — |
| Insurance compensation income | **—** | 467,211.00 |
| Income from relocation compensation | **1,004,075.55** | — |
| Others | **731,263.12** | 6,098.97 |
| Total | **2,111,904.31** | 881,308.56 |

## 46. NON-OPERATING EXPENSE

| **Item** | For six months ended 30 June 2007 (Accumulated) *RMB* | For six months ended 30 June 2006 (Accumulated) *RMB* |
|---|---|---|
| Loss from disposal of fixed assets | **238,922.49** | 900,933.14 |
| Penalty expense | **3,637.23** | 28,929.86 |
| Others | **32,252.52** | 86,415.86 |
| Total | **274,812.24** | 1,016,278.86 |

## 47. INCOME TAX EXPENSE

| | **For six months ended 30 June 2007 (Accumulated)** *RMB* | For six months ended 30 June 2006 (Accumulated) *RMB* |
|---|---|---|
| Current income tax expense | **504,058.48** | 3,307,404.35 |
| Deferred income tax expense | **(1,070,959.63 )** | (20,192.81 ) |
| | **(566,901.15 )** | 3,287,211.54 |

Reconciliation between income tax expense and accounting profit is as follows:

| | **For six months ended 30 June 2007 (Accumulated)** *RMB* | For six months ended 30 June 2006 (Accumulated) *RMB* |
|---|---|---|
| Accounting profit | **10,067,945.91** | 17,527,907.25 |
| Income tax expense calculated at the tax rate of 15% | **1,510,191.89** | 2,629,186.09 |
| The tax effect from non-deductible (deduction included ) expenses considered when taxable income is calculated | **135,863.01** | 1,079,252.79 |
| Tax effect from leveraging unrecognised deductible loss in the previous years | **(1,243,333.14 )** | (465,584.73 ) |
| Change in the balance of the opening deferred income tax assets resulting from adjustment of tax rate | **(1,207,289.69 )** | — |
| Effect from different tax rates of subsidiaries in other regions | **237,666.78** | 44,357.39 |
| Income tax expense | **(566,901.15 )** | 3,287,211.54 |

## 48. NET PROFIT AFTER EXTRAORDINARY ITEMS

| | **For six months ended 30 June 2007 (Accumulated)** *RMB* | For six months ended 30 June 2006 (Accumulated) *RMB* |
|---|---|---|
| Net profit | **11,221,224.96** | 14,240,695.71 |
| Add/less: extraordinary items | **191,580.85** | 680,776.70 |
| Income (loss) from disposal of long term equity investment and fixed assets | **(2,064,562.67 )** | (661,152.12 ) |
| Other non-operating income chargeable | **35,889.75** | 115,345.72 |
| Other non-operating cost chargeable | | |
| Reversal of provision for impairment for previous years | **(305,350.00 )** | (3,932,760.97 ) |
| Impact from income tax on extraordinary items | **275,563.81** | (20,245.55 ) |
| Impact from minority interest on extraordinary items | **222,067.26** | 1,449.48 |
| Net profit after extraordinary items | **9,576,413.96** | 10,424,108.97 |

## 49. SUPPLEMENTARY INFORMATION OF CASH FLOW STATEMENT

| | **For six months ended 30 June 2007** *RMB* | For six months ended 30 June 2006 *RMB* |
|---|---|---|
| Net profit (loss) | **10,634,847.06** | 13,866,239.65 |
| Add: provisions of assets impairment made(reversed) | **(14,410,782.87 )** | 3,853,090.90 |
| Depreciation of fixed assets | **22,282,320.22** | 22,694,663.29 |
| Amortisation of properties held-for-investment | **996,528.64** | 996,528.64 |
| Amortisation of intangible assets | **1,576,172.78** | 727,179.90 |
| Amortisation of deferred expenses | **34,065.00** | 39,390.00 |
| Decrease in deferred income tax assets (less: increase) | **(1,070,959.63 )** | (20,192.81 ) |
| Decrease in deferred expenses (less: increase) | **345,582.77** | (403,464.21 ) |
| Increase in accruals(less: decrease) | **1,183,426.91** | (10,311.80 ) |
| Disposal of fixed assets, intangible assets and others | | |
| Loss in assets (less: gains) | **191,580.85** | 680,776.70 |
| Finance cost | **8,567,244.43** | 8,290,041.02 |
| Investment loss (less: gains) | **1,513,597.82** | (385,227.88 ) |
| Decrease in inventory (less: increase) | **59,170,344.73** | 33,526,657.65 |
| Decrease in operating receivables (less: increase) | **(92,270,610.66 )** | (79,882,286.16 ) |
| Increase in operating payables (less: decrease) | **28,039,822.59** | (5,686,571.67 ) |
| Net cash flows from operating activities | **26,783,180.64** | (1,713,486.78 ) |
| Investment and fund raising activities not involving cash balance | | |
| Overdue factoring of accounts receivable | **23,325,350.01** | 19,952,383.38 |
| Net increase/(decrease) in cash and cash equivalents | | |
| Closing balance of cash and cash equivalents | **109,337,925.04** | 100,439,599.66 |
| Less: Opening balance of cash and cash equivalents | **(76,159,634.92 )** | (100,917,079.79 ) |
| Net increase/(decrease) in cash and cash equivalents | **33,178,290.12** | (477,480.13 ) |

## 50. OTHER CASH PAID RELATING TO OPERATING ACTIVITIES

| | **For six months ended 30 June 2007 (Accumulated)** *RMB* | For six months ended 30 June 2006 (Accumulated) *RMB* |
|---|---|---|
| Agency commission paid | **5,180,540.65** | 2,164,977.68 |
| Payment for trademark fee | **3,467,606.61** | 3,609,602.35 |
| Audit fee | **1,661,808.30** | 1,122,000.00 |
| Research and development fee | **5,305,866.57** | 7,882,488.31 |
| Installation and testing fee | **4,516,377.92** | 1,996,858.91 |
| Repairs and maintenance | **4,512,069.29** | 2,527,109.11 |
| Transportation fee and trip expenses | **9,043,454.37** | 6,727,861.18 |
| Entertainment fee | **1,575,522.35** | 1,460,417.64 |
| Water and electricity expenses | **2,989,902.23** | 1,504,107.90 |
| Leasing fee | **778,558.09** | 1,791,985.51 |
| Business and meeting fee | **3,349,057.29** | 1,626,364.08 |
| Others | **11,494,020.14** | 13,729,710.90 |
| | **53,874,783.81** | 46,143,483.57 |

## 51. ANALYSIS ON CASH AND CASH EQUIVALENTS

| | **Closing balance** *RMB* | Opening balance *RMB* |
|---|---|---|
| Bank balances and cash balance | **127,670,504.47** | 82,861,309.46 |
| Less: restricted bank deposit (please refer to Note 8) | **18,332,579.43** | 6,701,674.54 |
| Cash balance | **109,337,925.04** | 76,159,634.92 |

## 52. SEGMENT INFORMATION

As over 90% of the Company's revenue and results are derived from the manufacture and sale of printing press in the Mainland China, the management of the Company is op opinion that no segmental financial information shall be presented.

## 53. EXPLANATIONS TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT

### (1) ACCOUNTS RECEIVABLE

The aging of accounts receivable is analysed as follows:

| | **Closing balance** | | | |
|---|---|---|---|---|
| | **Amount** *RMB* | **Percentage** *(%)* | **Provision for bad debt** *RMB* | **Book value** *RMB* |
| Within 1 year | **301,072,703.91** | **74.27** | **—** | **301,072,703.91** |
| 1 year - 2 years | **61,205,319.95** | **15.10** | **18,480,845.43** | **42,724,474.52** |
| 2 years - 3 years | **16,620,763.00** | **4.10** | **9,972,457.80** | **6,648,305.20** |
| Over 3 years | **26,453,402.01** | **6.53** | **26,453,402.01** | **—** |
| Total | **405,352,188.87** | **100.00** | **54,906,705.24** | **350,445,483.63** |

| | Opening balance | | | |
|---|---|---|---|---|
| | Amount *RMB* | Percentage *(%)* | Provision for bad debt *RMB* | Book value *RMB* |
| Within 1 year | 233,823,231.51 | 68.52 | — | 233,823,231.51 |
| 1 year - 2 years | 68,565,764.59 | 20.09 | 15,946,765.85 | 52,618,998.74 |
| 2 years - 3 years | 18,556,412.30 | 5.44 | 11,133,847.38 | 7,422,564.92 |
| Over 3 years | 20,326,092.01 | 5.95 | 20,326,092.01 | — |
| Total | 341,271,500.41 | 100.00 | 47,406,705.24 | 293,864,795.17 |

As at 30 June 2007, the five largest accounts receivable are as follows:

| **Total amount of the five largest accounts receivable** *RMB* | **Aging of accounts** | **Percentage to the total value of the accounts receivable** *%* |
|---|---|---|
| 71,830,030.60 | Within 1 year | 17.72 |

The balance of the receivables comprises no amount due from shareholders who hold 5% or more of the Company's shares.

## (2) OTHER RECEIVABLES

The aging of other receivables is analysed as follows:

| | **Closing balance** | | | |
|---|---|---|---|---|
| | **Amount** *RMB* | **Percentage** *(%)* | **Provision for bad debt** *RMB* | **Book value** *RMB* |
| Within 1 year | **6,649,471.30** | **15.64** | **—** | **6,649,471.30** |
| 1 year - 2 years | **1,352,445.04** | **3.18** | **—** | **1,352,445.04** |
| 2 years - 3 years | **388,630.15** | **0.92** | **—** | **388,630.15** |
| Over 3 years | **34,115,036.69** | **80.26** | **19,249,056.83** | **14,865,979.86** |
| Total | **42,505,583.18** | **100.00** | **19,249,056.83** | **23,256,526.35** |

| | Opening balance | | | |
|---|---|---|---|---|
| | Amount *RMB* | Percentage *(%)* | Provision for bad debt *RMB* | Book value *RMB* |
| Within 1 year | 3,608,302.34 | 8.82 | — | 3,608,302.34 |
| 1 year - 2 years | 1,727,856.57 | 4.22 | — | 1,727,856.57 |
| 2 years - 3 years | 645,323.62 | 1.58 | — | 645,323.62 |
| Over 3 years | 34,943,877.87 | 85.38 | 19,544,406.83 | 15,399,471.04 |
| Total | 40,925,360.40 | 100.00 | 19,544,406.83 | 21,380,953.57 |

As at 30 June 2007, the five largest other receivables are as follows:

| **Total amount of the five largest accounts receivable** *RMB* | **Aging of accounts** | **Percentage to the total value of the accounts receivable** *%* |
|---|---|---|
| 18,687,060.47 | Within 2 years | 44 |

The balance of the other receivables comprises no amount due from shareholders who hold 5% or more of the Company's shares.

## (3) LONG TERM EQUITY INVESTMENTS

| | **Closing balance** *RMB* | Opening balance *RMB* |
|---|---|---|
| Investment in subsidiaries (Note 13 46(4)) | **195,199,868.12** | 200,513,102.65 |
| Investment in associated companies (Note 46(4)) | **28,503,322.41** | 31,804,144.61 |
| Total | **223,703,190.53** | 232,317,247.26 |
| Less: provision for diminution of long term equity investment | **—** | — |
| Long term equity investment, net | **223,703,190.53** | 232,317,247.26 |

Details of investment in subsidiaries are as follows:

| Name of invested companies | Initial investment | Opening balance | Increase / decrease in investment during the period | Transfer (injection) of other investments | Other decrease | Closing balance | Share of registered equity holding |
|---|---|---|---|---|---|---|---|
| | RMB | RMB | RMB | RMB | RMB | RMB | (%) |
| Beijing Beiren Fuji Printing Machinery Operation and Sale Company Limited | 29,632,699.26 | 36,781,586.23 | — | — | — | 36,781,586.23 | 70 |
| Beijing Beiren Jing Yan Printing Machinery Sales Limited | 20,972,023.06 | 17,098,095.87 | — | — | | 17,098,095.87 | 99.76 |
| Hebei Beiren Gei Zi Ji Chong | 2,534,000.00 | 2,073,430.74 | — | — | | 2,073,430.74 | 50.68 |
| Haimen Beiren Fuji Printing Machinery Company Limited | 31,911,194.70 | 15,663,965.91 | — | — | | 15,663,965.91 | 68.33 |
| Sheenlite Limited | 3.51 | — | — | — | — | — | 100 |
| Beijing Beiren Yuxin Plastic Printing Company Limited | 15,400,000.00 | 17,098,567.27 | — | — | — | 17,098,567.27 | 68.66 |
| Shaanxi Beiren Printing Machinery Company Limited | 98,968,505.71 | 105,538,070.21 | — | — | — | 105,538,070.21 | 86.24 |
| Zhejiang Beiren Printing Machinery Operation | 825,000.00 | 667,908.59 | — | — | — | 667,908.59 | 55 |
| Hubei Beiren Printing Machinery Sales Company Limited | 765,000.00 | 278,243.30 | — | — | — | 278,243.30 | 51 |
| Beijing Beiren Tai He Printing and Casting Factory | 2,500,000.00 | 5,313,234.53 | (2,500,000.00) | — | (2,813,234.53) | — | 62.50 |
| | 203,508,426.24 | 200,513,102.65 | (2,500,000.00) | — | (2,813,234.53) | 195,199,868.12 | |

Please refer to Note 14(1) for details of investment in associated companies.

## (4) OPERATING REVENUE AND OPERATING COST

| | **For six months ended 30 June 2007 (Accumulated)** | | For six months ended 30 June 2006 (Accumulated) | |
|---|---|---|---|---|
| | **Revenue** ***RMB*** | **Cost** ***RMB*** | Revenue *RMB* | Cost *RMB* |
| Principal Operations | | | | |
| Domestic sales | | | | |
| Sheet-fed offset printing press | **276,056,939.39** | **227,907,699.32** | 229,249,903.43 | 189,951,072.75 |
| Web-fed offset printing press | **120,632,307.75** | **90,113,614.90** | 131,257,265.17 | 92,385,209.28 |
| Sales of spare parts | **8,572,648.51** | **6,154,009.22** | 1,391,200.35 | 920,534.80 |
| Others | **421,784.92** | **269,882.53** | 377,309.83 | 368,187.04 |
| | **405,683,680.57** | **324,445,205.97** | 362,275,678.78 | 283,625,003.87 |
| Export sales | | | | |
| Printing press | **3,380,831.64** | **1,716,409.03** | 583,774.06 | 399,763.20 |
| Other business | | | | |
| Sales of materials | **703,449.92** | **1,004,436.79** | 2,466,398.56 | 1,652,439.50 |
| Lease | **3,509,729.36** | **1,483,773.44** | 2,727,320.57 | 790,537.19 |
| Others | **309,614.06** | **51,243.27** | 44,267.59 | 528,360.73 |
| | **4,522,793.34** | **2,539,453.50** | 5,237,986.72 | 2,971,337.42 |
| Total | **413,587,305.55** | **328,701,068.50** | 368,097,439.56 | 286,996,104.49 |

### (5) Investment Income

| | **For six months ended 30 June 2007 (Accumulated)** *RMB* | For six months ended 30 June 2006 (Accumulated) *RMB* |
|---|---|---|
| Long term investment income | | |
| Income recognized using equity method | **(3,108,107.16 )** | (49,530.59 ) |
| Income from disposal of equity investment (Notes) | **1,594,509.34** | — |
| Total | **(1,513,597.82 )** | (49,530.59 ) |

Notes: Please refer to Note 44.

## 54. COMMITMENTS

### (1) Capital commitments

| | Closing balance ***RMB'000*** | **Opening balance** *RMB'000* |
|---|---|---|
| Contracted but not executed for purchase of assets | **2,109** | 7,812 |

### (2) Lease Commitments

As at the balance sheet date, irrevocable operating leases entered into with external parties are as follows:

| | **Closing balance** *RMB'000* | **Opening balance** *RMB'000* |
|---|---|---|
| Minimum rental payment for irrevocable operating leases: | | |
| Within one year after the balance sheet date | **1,228** | 1,228 |
| In the second year after the balance sheet date | **288** | 288 |
| In the third year after the balance sheet date | **288** | 288 |
| Subsequent years | **951** | 1,095 |
| Total | **2,755** | 2,899 |

## 55. CONNECTED TRANSACTIONS

### (1) Connected parties that have controlling relationship

| **Name of Connected party** | **Place of registration** | **Principal Operations** | **Relations with the Company** | **Type of corporation** | **Legal representative** |
|---|---|---|---|---|---|
| Beiren Group Corporation | Beijing Chaoyang District | Manufacturing and sales of printing machines, packing machines, machine beds and parts and components of such machines; technology development and consultation, services, provision of import services related to the production of enterprises within the Group and sub-contracting work of printing machinery project in overseas and international tendering project within the PRC | Controlling shareholder | Stated-owned company | Wang Guohua |

### (2) Please refer to Note 6 for details of relevant information of subsidiaries.

### (3) Other connected parties transaction with the Company without controlling relationship are as follows:

| **Name of connected party** | **Relations with the Company** |
|---|---|
| Beijing Yan Long Import and Export Company | Fellow subsidiary of the controlling shareholder |
| Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited | Associated Company |
| Liaoning Beiren Printing Machinery Operation and Sale Company Limited | Associated Company |
| Beijing Monigraf Automatic Systems Company Limited | Associated Company |
| Beijing Beiying Casting Company Limited | Associated Company |
| Beijing Mitsubishi Heavy Industrial Beiren Printing Machinery Company Limited | Associated Company |

## (4) The Company had the following significant connected transactions with the above connected parties during the respective years (periods)

(a) Sales and purchases

Details of sales and purchases of goods with related parties are as follows:

| | **For six months ended 30 June 2007 (Accumulated)** *RMB* | For six months ended 30 June 2006 (Accumulated) *RMB* |
|---|---|---|
| Sales | | |
| Sales revenue | | |
| — Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited | **4,935,897.44** | 12,876,367.52 |
| — Liaoning Beiren Printing Machinery Operation and Sale Company Limited | **—** | 1,963,076.92 |
| — Beiren Group Corporation | **—** | 7,276,410.26 |
| — Beiren Yan Long Import and Export Company | **1,239,316.24** | — |
| | **6,175,213.68** | 22,115,854.70 |
| Purchase | | |
| Expenditure of purchases of materials | | |
| — Beiren Group Corporation | **1,489,152.13** | 9,154,956.74 |
| — Beijing Beiying Casting Company Limited | **13,231,935.01** | 13,434,566.95 |
| — Beijing Monigraf Automatic Systems Company Limited | **2,144,444.44** | 5,612,256.77 |
| | **16,865,531.58** | 28,201,780.46 |
| Expenditure of purchases of printing press Beiren Group Corporation | | |
| — Beijing Mitsubishi Heavy Industrial | **2,396,727.27** | — |
| — Beiren Printing Machinery Company Limited | **49,176,947.38** | — |
| | **51,573,674.65** | — |

Prices of goods sold to the above related parties are made with reference to those of similar goods in the market.

(b) Guarantee

As at 30 June 2007, Beiren Group Corporation provided a guarantee of RMB25,000,000.00 for the short term loans of the Company.

(c) Others

| | **For six months ended 30 June 2007 (Accumulated)** *RMB* | For six months ended 30 June 2006 (Accumulated) *RMB* |
|---|---|---|
| Trademark fee paid *(Note 1)* | | |
| — Beiren Group Corporation | **3,467,606.61** | 3,609,602.35 |
| Rental income*(Note 2)* | | |
| — Beijing Beiying Casting Company Limited Systems Company Limited | **2,203,532.34** | 2,203,532.34 |
| — Beijing Mitsubishi Heavy Industrial Beiren Printing Machinery Company Limited | **810,788.00** | — |
| — Beijing Monigraf Automatic Systems Company Limited | **50,000.00** | 50,000.00 |
| | **3,064,320.34** | 2,253,532.34 |

*Notes:*

1. On 14 July 1993, the Company and Beiren Group Corporation entered into an agreement, according to which the Company could have the right to use “Beiren” brand name for a consideration of the higher of 1% of sales revenue of good sold under “Beiren” brand name during that year, and RMB15,000.00 per quarter.

2. Please refer to Note 15.

*(d)* *Balance of loans due to or from related parties*

| Items | Name of related party | Closing balance *RMB* | Opening balance *RMB* |
|---|---|---|---|
| Accounts receivable | Liaoning Beiren Printing Machinery | **—** | 18,426,100.00 |
| | Machinery Operation and Sale Company Limited Beijing Beiren Hengtong Printing Operation and Sale Company Limited | **7,071,130.00** | 11,352,005.36 |
| | Beiren Group Corporation | **910,000.00** | 910,000.00 |
| | | **7,981,130.00** | 30,688,105.36 |
| Other receivables | Beijing Monigraf Automatic Systems Company Limited | **—** | 100,000.00 |
| Prepayment | Beijing Monigraf Automatic Systems Company Limited | **—** | 26,600.00 |
| Bills payable | Beiren Group Corporation | **200,000.00** | — |
| | Beijing Beiying Casting Company Limited | **1,162,819.84** | — |
| | | **1,362,819.84** | — |
| Accounts payable | Beiren Group Corporation | **2,698,990.91** | 5,564,997.38 |
| | Beijing Yan Long Import and Export Company | **12,240.00** | 12,240.00 |
| | Beijing Monigraf Automatic Systems Company Limited | **1,038,557.54** | 2,656,512.04 |
| | Beijing Beiying Casting Company Limited | **8,403,299.60** | 8,287,916.52 |
| | Beijing Mitsubishi Heavy Industrial Beiren Printing Machinery Company Limited | **40,342,641.69** | 9,577,437.51 |
| | | **52,495,729.74** | 26,099,103.45 |
| Other payables | Beiren Group Corporation | **14,996,324.25** | 14,996,324.25 |
| | Beiren Tai He | **—** | 10,931,965.05 |
| | Liaoning Beiren Printing Machinery Operation and Sale Company Limited | **—** | 233,100.00 |
| | Beijing Beiying Casting Company Limited | **2,153,161.44** | — |
| | | **17,149,485.69** | 26,161,389.30 |

The above mentioned amounts have no fixed repayment schedule, and are free of interest, pledge or guarantee.

## 56. CONTINGENT EVENTS

(1) The Company received the Civil Judgments of No. 2-60-2 and No. 2-60-2 Yi Zhong Po Zi(2003) from the Intermediate People's Court of Yichun City, Jiangxi Province during the period. It judged that the Company was the enforcee of the case on the bankruptcy of Yichun Gear Manufacture Company Limited and required the Company to pay off the debt of RMB1,760,900.00 to the execution applicant, the Bankruptcy Team of Yichun Gear Manufacture Company Limited. The Company transferred the payment to the account as required by the court for freezing, and simultaneously made an objection to the court. The court has made a decision for rehearing.

(2) On 19 June 2007, the State Administration of Taxation issued Guo Shui Han [2007] No. 664 Notice on Relevant Problems of Business Income Tax of 9 Overseas Listed Companies including SINOPEC Shanghai Petrochemical Company Limited. As required by the notice, the local taxation authorities shall correct immediately if they still executed the expired preferential policies on business income tax in respect of nine listed companies which issued shares in Hong Kong as approved by the State Council in 1993. The differences in the income tax arising from the expired preferential tax policies applicable to previous years shall be treated in accordance with relevant provisions of the Tax Administration Law. The Company, being one of the above nine listed companies, is communicating with relevant authorities and evaluating the financial effect on the Company arising from the event. The Company does not exclude the possibility of adjustment in the effective business income tax. As at the approval date of this report, the Company had not received the written feedback opinions from taxation authorities.

## 57. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements and consolidated financial statements of the Company had been approved by the Board on22 August 2007.

# SUPPLEMENTARY INFORMATION

*For the period from 1 January 2007 to 30 June 2007*

## 1. The difference between the financial statements respectively prepared under the PRC accounting standards and Hong Kong Financial Reporting Standards is as follows:

Under the PRC accounting standards, the Company recorded net profit of RMB10,635,000 and had net assets of RMB1,207,678,000as at 30 June 2007. Major adjustments to the net profit and net assets for the period under HK GAAP are as follows:

| | Net profit<br>*RMB' 000* | Shareholders' equity<br>*RMB' 000* |
|---|---|---|
| Prepared under PRC GAAP | 10,635 | 1,207,678 |
| Adjusted under HK GAAP Difference in valuation of net assets contributed to the Company by Beiren Group Corporation | — | (60,198 ) |
| Consequential amortisation on net assets contributed by Beiren Group Corporation | 33 | 48,309 |
| Difference in valuation of capital contribution to subsidiaries | 16 | (243 ) |
| Difference in recognition of deferred tax | (1,786 ) | — |
| Difference in recognition of goodwill upon acquisition of a subsidiary | — | 4,479 |
| Difference in amortisation of goodwill upon acquisition of a subsidiary | — | (1,344 ) |
| Difference in unclaimed debts | — | — |
| Others | (259 ) | (194 ) |
| Prepared under HK GAAP | 8,639 | 1,198,487 |

## 2. Returns on net assets and earnings per share on fully diluted basis and weighted average basis

| | Returns on net assets (%) | | | | Earnings per share (RMB/share) | | | |
|---|---|---|---|---|---|---|---|---|
| Profit for the period | Fully diluted | | Weighted average | | Basic Diluted | | Weighted average | |
| | current period | period last year | current period | period last year | current period<br>*RMB* | period last year<br>*RMB* | current period<br>*RMB* | period last year<br>*RMB* |
| Net profit attributable to the holders of ordinary shares of the Company's | 0.97 | 1.15 | 0.97 | 1.13 | 0.03 | 0.03 | 0.03 | 0.03 |
| Net profit attributable to the holders of ordinary shares of the Company after extraordinary profit and loss | 0.82 | 0.84 | 0.83 | 0.82 | 0.02 | 0.02 | 0.02 | 0.02 |

## 3. Analysis of provision for assets impairment as at 30 June 2007

| | 1 January 2007 | | Increase in the period | | Other transfer out in the period | | Write-off in the period | | Reversal in the period | | 30 June 2007 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Group<br>*RMB* | Company<br>*RMB* | Group<br>*RMB* | Company<br>*RMB* | Group<br>*RMB* | Company<br>*RMB* | Group<br>*RMB* | Company<br>*RMB* | Group<br>*RMB* | Company<br>*RMB* | Group<br>*RMB* | Company<br>*RMB* |
| **Provision for bad debts** | 78,340,122.90 | 66,951,112.07 | 11,645,580.83 | 7,500,000.00 | – | – | – | – | (305,350.00) | (295,350.00) | 89,680,353.73 | 74,155,762.07 |
| **Including: Accounts receivable** | 60,863,409.66 | 47,406,705.24 | 11,419,660.91 | 7,500,000.00 | – | – | – | – | (10,000.00) | – | 72,273,070.57 | 54,906,705.24 |
| **Other receivables** | 17,476,713.24 | 19,544,406.83 | 225,919.92 | – | – | – | – | – | (295,350.00) | (295,350.00) | 17,407,283.16 | 19,249,056.83 |
| **Provision for diminution in value of inventories** | 94,282,277.91 | 81,728,098.24 | 1,102,475.36 | 1,102,475.36 | – | – | (26,853,489.06) | (23,862,196.24) | – | – | 68,531,264.21 | 58,968,377.36 |
| **Including: Raw materials** | 1,977,640.41 | 1,759,853.66 | – | – | – | – | (13,435.62) | – | – | – | 1,964,204.79 | 1,759,853.66 |
| **Finished goods** | 54,423,583.61 | 51,739,191.15 | – | – | – | – | (17,324,289.96) | (17,324,289.96) | – | – | 37,099,293.65 | 34,414,901.19 |
| **Work in progress** | 37,881,053.89 | 28,229,053.43 | 1,102,475.36 | 1,102,475.36 | – | – | (9,515,763.48) | (6,537,906.28) | – | – | 29,467,765.77 | 22,793,622.51 |
| **Impairment provision for long term investments** | 50,000.00 | – | – | – | – | – | – | – | – | – | 50,000.00 | – |
| **Including: Long term Investment in equity** | 50,000.00 | – | – | – | – | – | – | – | – | – | 50,000.00 | – |
| **Provision for of fixed assets impairment** | 24,719,194.58 | 21,505,623.58 | – | – | – | – | – | – | – | – | 24,719,194.58 | 21,505,623.58 |
| **including: Plant and machinery** | 21,505,623.58 | 21,505,623.58 | – | – | – | – | – | – | – | – | 21,505,623.58 | 21,505,623.58 |
| **Motor vehicle** | 213,571.00 | – | – | – | – | – | – | – | – | – | 213,571.00 | – |
| **Housing Construction** | 3,000,000.00 | – | – | – | – | – | – | – | – | – | 3,000,000.00 | – |
| **Provision for diminution in value of goodwill** | 1,106,334.60 | 2,022,733.03 | – | – | – | – | – | – | – | – | 1,106,334.60 | 2,022,733.03 |
| **Provision for diminution in value of construction in progress** | 1,165,827.82 | – | – | – | – | – | – | – | – | – | 1,165,827.82 | – |
| Total | 199,663,757.81 | 172,207,566.92 | 12,748,056.19 | 8,602,475.36 | – | – | (26,853,480.06) | (23,862,190.24) | (305,350.00) | (295,350.00) | 185,252,970.94 | 156,652,496.04 |

## 4. RECONCILIATION STATEMENT ON DIFFERENCE OF NET PROFIT FOR THE FIRST HALF OF 2006

| Item | Amount *RMB* |
|---|---|
| Net profit from January 2006 to June 2006 (under the original accounting standards). | 10,289,541.69 |
| Plus: Expected liabilities recognised for payment of compensation resulting from cancellation of the labour relationship with employees | 3,864,904.10 |
| Deferred income tax calculated using the balance sheet liability method | 23,736.66 |
| Offset of the amortisation amount of the difference in long-term equity investment (credit) accounted for using other equity methods | 62,513.26 |
| Less: Change in presentation mode of minority interests | 374,456.06 |
| Net profit from January 2006 to June 2006 (through simulative execution of the new accounting standards). | 13,866,239.65 |

## 5. Analysis on the changes of 30% or above in the financial statements or the amount representing 5% or more of the Company's total assets as at the balance sheet date or 10% or more of the profit for the reporting period:

(1) Cash and bank balances increased by 54.08% over the opening balance mainly as a result of the relatively centralisation of fund recovery at the end of the period.

(2) Accounts receivable increased by 13.37% over the opening balance, mainly as a result of increase in the credit limit to expand its market share for the multi-colour machinery and large-scale printing newspaper machinery (tower machinery) and sharpen its competitiveness with imported similar products.

(3) Prepayments increased by 106.98% over the opening balance, mainly resulting from the increase in prepayments for goods.

(4) Inventories decreased by 4.71% from the opening balance, principally attributable to the decrease in storage.

(5) Fixed assets increased by 2.13% over the opening balance, mainly resulting from fixed assets reversed from construction in progress for the year.

(6) Deferred income tax assets increased by 38.58% over the opening balance, mainly owing to adjustment in applicable tax rate for the expected period on realisation of deferred assets or cancellation of deferred liabilities.

(7) Short-term loans increased by 3.19% over the opening balance, mainly resulting from the increase in loans for turnover in the year.

(8) Bills payable increased by 38.17% over the opening balance, primarily due to the increased acceptance bills for suppliers in the year.

(9) Accounts receivable increased by 7.31% over the opening balance, mainly resulting from the increase in the purchase volume for the period.

(10) Operating profit decreased by 52.39% from last year, of which: Operating revenue and operating costs respectively increased by 6.82% and 7.56% as compared with the same period last year, thus gross profit increasing by RMB51.2 thousand. Period expenses increased by RMB3.3068 million or 3.49% over the same period last year, mainly owing to the rise in operating expenses. Loss from assets impairment increased by RMB8.5896 million or 222.93% over the same period last year, primarily resulting from the increase in provision for diminution in value of inventories and provision for bad debts. Income from investment decreased by RMB1.8988 million or 492.91% over the same period last year, mainly due to decrease in the income from investment in associated companies.

(11) Net non-operating income and expenses increased by RMB1.972 million over the same period last year, mainly as a result of increase in the income from relocation compensation for the year.

# CONDENSED CONSOLIDATED INCOME STATEMENT

*FOR THE SIX MONTHS ENDED 30 JUNE 2007*

| | | Six months ended | |
|---|---|---|---|
| | | **30.6.2007** | 30.6.2006 |
| | *NOTES* | ***RMB'000*** | *RMB'000* |
| | | **(unaudited)** | (unaudited) |
| Revenue | 3 | **546,543** | 513,057 |
| Cost of sales | | **(429,949)** | (401,355) |
| Gross profit | | **116,594** | 111,702 |
| Other income | | **9,513** | 4,753 |
| Distribution costs | | **(32,527)** | (27,910) |
| Administrative expenses | | **(71,831)** | (67,983) |
| Share of results of associates | | **(3,108)** | 428 |
| Finance costs | | **(8,783)** | (8,293) |
| Profit before taxation | 5 | **9,858** | 12,697 |
| Income tax expense | 6 | **(1,219)** | (2,466) |
| Profit for the period | | **8,639** | 10,231 |
| Attributable to: | | | |
| Equity holders of the Company | | **9,487** | 9,894 |
| Minority interests | | **(848)** | 337 |
| | | **8,639** | 10,231 |
| Earnings per share - Basic (in RMB: cent) | 8 | **RMB2.25 cents** | RMB2.34 cents |

# CONDENSED CONSOLIDATED BALANCE SHEET

*AT 30 JUNE 2007*

| | NOTES | **30.6.2007 RMB'000 (unaudited)** | 31.12.2006 RMB'000 (audited) |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 9 | **668,948** | 656,267 |
| Investment properties | | **69,684** | 70,497 |
| Prepaid lease payments - non-current portion | | **130,655** | 131,391 |
| Goodwill | | **3,135** | 3,135 |
| Intangible assets | | **1,146** | 1,413 |
| Interests in associates | | **28,503** | 32,090 |
| Deferred tax assets | | **3,847** | 4,562 |
| | | **905,918** | 899,355 |
| Current assets | | | |
| Inventories | | **676,777** | 710,196 |
| Trade and other receivables | 10 | **473,290** | 416,812 |
| Prepaid lease payments - current portion | | **2,892** | 2,884 |
| Amount due from minority shareholders of subsidiaries | | **10,649** | 10,492 |
| Restricted cash | | **18,333** | 6,702 |
| Bank balances and cash | | **109,338** | 76,160 |
| | | **1,291,279** | 1,223,246 |
| Current liabilities | | | |
| Trade and bills payable | 11 | **397,875** | 358,354 |
| Other payables | | **99,045** | 109,858 |
| Sales deposits received | | **63,646** | 57,894 |
| Amount due to ultimate holding company | | **14,996** | 14,996 |
| Income tax payable | | **125** | 2,971 |
| Borrowings - due within one year | 12 | **392,723** | 383,574 |
| | | **968,410** | 927,647 |
| Net current assets | | **322,869** | 295,599 |
| Total assets less current liabilities | | **1,228,787** | 1,194,954 |
| Capital and reserves | | | |
| Share capital | 13 | **422,000** | 422,000 |
| Reserves | | **730,242** | 720,674 |
| Equity attributable to equity holders of the Company | | **1,152,242** | 1,142,674 |
| Minority interests | | **46,245** | 50,280 |
| Total equity | | **1,198,487** | 1,192,954 |
| Non-current liabilities | | | |
| Borrowings - due after one year | 12 | **27,000** | — |
| Deferred income | | **3,300** | 2,000 |
| | | **30,300** | 2,000 |
| | | **1,228,787** | 1,194,954 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE SIX MONTHS ENDED 30 JUNE 2007*

| | Attributable to equity holders of the parent | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Exchange translation reserve | Capital reserve | Statutory surplus reserve | Statutory public welfare fund | General reserve fund | Enterprise expansion fund | Discretionary surplus reserve | Retained profits | Total | Minority interests | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(unaudited)* | *(unaudited)* | *(unaudited)* | *(unaudited)* | *(unaudited)* | *(unaudited)* | *(unaudited)* | *(unaudited)* | *(unaudited)* | *(unaudited)* | *(unaudited)* | *(unaudited)* |
| At 1 January 2006 | 422,000 | 435,834 | – | 51,155 | 78,047 | 72,385 | 1,717 | 3,845 | 42,979 | 183,806 | 1,291,768 | 51,029 | 1,342,797 |
| Profit for the period | – | – | – | – | – | – | – | – | – | 9,894 | 9,894 | 337 | 10,231 |
| Appropriations | – | – | – | – | 1,054 | – | – | – | – | (1,054) | – | – | – |
| Dividend approved at annual General Meeting | – | – | – | – | – | – | – | – | – | (29,540) | (29,540) | – | (29,540) |
| Transfer reserve (Note) | – | – | – | – | 72,385 | (72,385) | – | – | – | – | – | – | – |
| At 30 June 2006 | 422,000 | 435,834 | – | 51,155 | 151,486 | – | 1,717 | 3,845 | 42,979 | 163,106 | 1,272,122 | 51,366 | 1,323,488 |
| At 1 January 2007 | 422,000 | 435,834 | 89 | 51,306 | 150,432 | – | 1,717 | 3,845 | 42,979 | 34,472 | 1,142,674 | 50,280 | 1,192,954 |
| Exchange difference arising on translation of foreign operations recognised directly in equity | – | – | 81 | – | – | – | – | – | – | – | 81 | – | 81 |
| Profit for the period | – | – | – | – | – | – | – | – | – | 9,487 | 9,487 | (848) | 8,639 |
| Total recognised income for the year | – | – | 81 | – | – | – | – | – | – | 9,487 | 9,568 | (848) | 8,720 |
| Wound up of a subsidiary | – | – | – | – | (7) | – | – | – | – | 7 | – | (3,187) | (3,187) |
| At 30 June 2007 | 422,000 | 435,834 | 170 | 51,306 | 150,425 | – | 1,717 | 3,845 | 42,979 | 43,966 | 1,152,242 | 46,245 | 1,198,487 |

*Note:* The Ministry of Finance (MOF) issued a notice which requires the balance of statutory public welfare fund as of 31 December 2005 to be managed and utilized as surplus reserve from 1 January 2006 onwards. Accordingly, the statutory public welfare fund was transferred to statutory surplus reserve.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*FOR THE SIX MONTHS ENDED 30 JUNE 2007*

| | Six months ended | |
|---|---|---|
| | **30.6.2007** | 30.6.2006 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Net cash from (used in) operating activities | **16,382** | (1,930) |
| Net cash used in investing activities | | |
| Purchase of property, plant and equipment | **(32,331)** | (51,706) |
| Prepaid lease payments in respect of land use rights | **—** | (490) |
| Investment in an associate | **—** | (22,540) |
| Removal compensation received | **10,000** | 20,000 |
| Increase in restricted cash | **(11,631)** | (1,547) |
| Increase in amount due from minority shareholders | **(157)** | (256) |
| Other investing cash flows | **748** | 946 |
| | **(33,371)** | (55,593) |
| Net cash from financing activities | | |
| New bank borrowings raised | **263,430** | 243,218 |
| Repayment of bank borrowings | **(204,516)** | (180,451) |
| Interest paid | **(8,567)** | (8,290) |
| | **50,347** | 54,477 |
| Net increase (decrease) in cash and cash equivalents | **33,358** | (3,046) |
| Cash and cash equivalents at beginning of the period | **76,160** | 93,696 |
| Effect of foreign exchange rate change | **(180)** | (111) |
| Cash and cash equivalents at end of the period, represented by bank balances and cash | **109,338** | 90,539 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 30 JUNE 2007*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKAS 23 (Revised) | Borrowing Costs[1] |
| HKFRS 8 | Operating Segments[1] |
| HK(IFRIC) - Int 11 | HKFRS 2: Group and Treasury Share Transactions[2] |
| HK(IFRIC) - Int 12 | Service Concession Arrangements[3] |

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 March 2007

[3] Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

## 3. TURNOVER

| | Six months ended | |
|---|---|---|
| | **30.6.2007** | 30.6.2006 |
| | ***RMB'000*** | *RMB'000* |
| Sales of printing machines | **521,693** | 495,850 |
| Sales of spare parts | **15,922** | 9,991 |
| Provision of printing services | **12,494** | 10,400 |
| | **550,109** | 516,241 |
| Less: Sales tax and other surcharges | **(3,566)** | (3,184) |
| Total sales | **546,543** | 513,057 |

## 4. SEGMENT INFORMATION

The Group's revenue and results are substantially derived from the manufacture and sale of printing machines in the PRC. Moreover, as substantially all of the Group's assets and liabilities are located in the PRC, no segmental analysis of financial information is presented.

## 5. PROFIT BEFORE TAXATION

| | Six months ended | |
|---|---|---|
| | **30.6.2007** | 30.6.2006 |
| | ***RMB'000*** | *RMB'000* |
| Profit before taxation has been arrived at after charging (crediting): | | |
| Depreciation and amortisation | **24,573** | 22,807 |
| Share of tax of associates (included in share of results of associates) | **190** | 101 |
| Loss on disposal of property, plant and equipment | **192** | 152 |
| Interest income | **(662)** | (541) |
| Reversal of impairment loss of leasehold property | **—** | (3,500) |
| Gain on winding up of a subsidiary and an associate | **(1,595)** | — |

## 6. INCOME TAX EXPENSE

| | Six months ended | |
|---|---|---|
| | **30.6.2007** | 30.6.2006 |
| | ***RMB'000*** | *RMB'000* |
| The charge comprises: | | |
| PRC current year income tax | **504** | 3,307 |
| Deferred tax charge (credit) | **715** | (841 ) |
| | **1,219** | 2,466 |

In accordance with the relevant rules and regulations in the PRC, the PRC subsidiaries of the Group's (not including the Company) are subject to PRC income tax levied at a rate of 33%, except for Beijing Beiren Fuji Printing Machinery Company Limited and Shanxi Beiren Printing Machinery Company Limited which are taxed at 12% and 15%, respectively.

According to the Notice No. [2007] 664 announced by the State Administration of Taxation on 19 June 2007, the State Administration of Taxation demanded an immediate correction by its local tax offices on the special preferential income tax policies granted to those nine listed companies (including the Company) whose shares were approved for listing in The Stock Exchange of Hong Kong Limited by the State Council in 1993, which should already be expired and no longer applied. The difference in the income tax resulting from the application of the expired special preferential income tax policies in previous years shall be dealt with pursuant to the relevant regulations of the Law of the People's Republic of China Concerning the Administration of Tax Collection. At this stage, the relevant implementation rules have not yet been announced and the Company is still in the process of communication with the local tax office regarding this matter. The Company is still subject to PRC income tax levied at a rate of 15% in current interim period. Accordingly, the directors of the Company consider that the amount of the potential exposure cannot be estimated reliably, and therefore, no provision has been recognized as at the balance sheet date.

On 16 March 2007, the government of the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. Under the New Law, the income tax rate of certain subsidiaries will be changed to 25% starting from 1 January 2008. The deferred tax has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realized or the liability is settled.

The Group does not have any significant tax liability in any other jurisdiction.

## 7. DIVIDENDS

No dividends were paid during the current period.

The directors do not recommend the payment of any interim dividend.

## 8. EARNINGS PER SHARE - BASIC

The calculation of basic earnings per share attributable to the ordinary equity holders of the Company is based on the profit for the period attributable to equity holders of the Company of RMB9,487,000 (2006: RMB9,894,000) and on the number of 422,000,000 shares (2006: 422,000,000 shares) in issue during the period.

## 9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB1,274,000 (2006: RMB1,833,000) on the acquisition of property, plant and equipment and approximately RMB31,057,000 (2006: RMB49,873,000) on construction in progress.

During the period, the Group disposed of certain plant and machinery with a carrying amount of RMB278,000 (2006: RMB557,000) for a total proceeds of RMB86,000 (2006: RMB405,000), resulting in a loss on disposal of RMB192,000 (2006: RMB152,000).

## 10. TRADE AND OTHER RECEIVABLES

| | **30.6.2007** | 31.12.2006 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **418,748** | 369,858 |
| Bills receivable | **14,505** | 11,884 |
| | **433,253** | 381,742 |
| Prepayments and deposits | **24,514** | 11,748 |
| Other receivables | **15,523** | 23,322 |
| | **473,290** | 416,812 |

At 30 June 2007, the balances of trade and other receivables included accounts receivable of RMB433,253,000 (31.12.2006: RMB381,742,000). Customers are normally granted a credit period of 90-360 days.

The aged analysis of trade and bills receivable at the balance sheet is as follows:

| | **30.6.2007** | 31.12.2006 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **355,449** | 304,614 |
| 1-2 years | **64,560** | 68,478 |
| 2-3 years | **13,055** | 7,131 |
| Over 3 years | **189** | 1,519 |
| | **433,253** | 381,742 |

## 11. TRADE AND BILLS PAYABLE

| | **30.6.2007** | 31.12.2006 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| The aged analysis of trade and bills payable at the balance sheet date is as follows: | | |
| Within 1 year | **362,325** | 327,541 |
| 1-2 years | **32,180** | 27,549 |
| 2-3 years | **1,374** | 470 |
| Over 3 years | **1,996** | 2,794 |
| | **397,875** | 358,354 |

## 12. BORROWINGS

The Group obtained new bank loans of RMB263,430,000 (2006: RMB243,218,000), and repaid RMB204,516,000 (2006: RMB180,451,000) during the period. The newly raised loans bear interest at market rates.

## 13. SHARE CAPITAL

| | **Amount** |
|---|---|
| | *RMB'000* |
| Registered, issued and fully paid: | |
| At 1 January 2006, 30 June 2006, 31 December 2006 and 30 June 2007 | |
| 322,000,000 A shares of RMB1 each | 322,000 |
| 100,000,000 H shares of RMB1 each | 100,000 |
| | 422,000 |

## 14. CAPITAL COMMITMENTS

| | **30.6.2007** | 31.12.2006 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contracted but not provided for the purchase of property, plant and equipment | **2,109** | 7,812 |

## 15. RELATED PARTY TRANSACTIONS

### (a) The Group entered into the following transactions with its related parties during the period:

| | **Six months ended** | |
|---|---|---|
| | **30.6.2007** | 30.6.2006 |
| | ***RMB'000*** | *RMB'000* |
| Sales of goods | | |
| - Beijing Beiren Hengtong Printing Machinery Sales Limited (an associate) | **4,936** | 12,876 |
| - Liaoning Beiren Printing Machinery Sales Limited (an associate) | **—** | 1,963 |
| - Beijing Yanlong Import and Export Co., Ltd. (a subsidiary of BGC, which is the ultimate holding company) | **1,239** | — |
| Sales of materials | | |
| - Beiren Group Corporation ("BGC", ultimate holding company) | **—** | 7,276 |
| Purchase of printing presses from | | |
| - BGC (ultimate holding company) | **2,397** | — |
| - Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited (an associate) | **49,177** | — |
| Purchase of materials | | |
| - BGC (ultimate holding company) | **1,489** | 9,155 |
| - Beijing Beiying Moulding Company Limited (an associate) | **13,232** | 13,434 |
| - Beiren Monigraf Automations Co., Ltd. (an associate) | **2,144** | 5,612 |
| - Fujikikai Kogyo Co., Ltd. (a minority shareholder of a subsidiary) | **—** | 1,163 |
| - Hebei Decoration Printing Machinery Co., Ltd. (a minority shareholder of a subsidiary) | **—** | 1,070 |
| Trademark fee paid | | |
| - BGC (ultimate holding company) | **3,468** | 3,610 |
| Rental income received | | |
| - Beiren Monigraf Automations Co., Ltd. (an associate) | **50** | 50 |
| - Beijing Beiying Moulding Company Limited (an associate) | **2,204** | 1,948 |
| - Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited (an associate) | **811** | — |

### (b) Balances with related parties at the balance sheet date

| | **30.6.2007** | 31.12.2006 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Amount due from associates | **7,071** | 29,905 |
| Amount due to associates | **12,546** | 20,755 |
| Amount due to ultimate holding company | **2,001** | 4,667 |

Above balances with related parties are all trading nature, which are included in trade and other receivables and trade and bills payable at the balance sheet date. Other balances with related parties are separately shown in the condensed consolidated balance sheet.

### (c) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of the larger group of BGC, which is ultimately controlled by the PRC government. Apart from the transactions with BGC and its subsidiaries disclosed in (a) above, the Group also conducts businesses with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

Material transactions/balances with other state-controlled entities are as follow:

| | **Six months ended** | |
|---|---|---|
| | **30.6.2007** | 30.6.2006 |
| | ***RMB'000*** | *RMB'000* |
| Trade sales | **29,639** | 44,465 |
| Trade purchases | **2,421** | 22,038 |

| | **30.6.2007** | 31.12.2006 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade balance due from other state-controlled entities | **59,646** | 61,707 |
| Trade balance due to other state-controlled entities | **864** | 10,317 |

In addition, the Group has entered into various transactions, including utilities services and surcharges / taxes charged by the PRC government, and deposits and borrowings and other general banking facilities with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of these transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

### (d) Compensation of key management personnel

The short term benefits paid or payable by the Group to directors of the Company and other members of key management during the period is approximately RMB460,000 (2006: RMB510,000).

## VIII. DOCUEMENTS AVAILABLE FOR INSPECTION

— Original copy of the interim report, which has been signed by the Chairman.

— The financial statements signed and under seal by the Legal Representative, the Chief Accountant and the Head of Accounts.

— The Articles of Association of the Company.

— All the documents disclosed in Shanghai Securities News, Hong Kong Economic Times and The Standard

**Wang Guohua**
*Chairman*
**Beiren Printing Machinery Holdings Limited**

22 August 2007