

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)

For the year ended 31 December 2000

1. GENERAL

The Company is a joint stock limited company established in the People's Republic of China by Beiren Group Corporation ("BGC") as the sole promoter. The Company was established on 13 July 1993. The Company's A shares and H shares have been listed in Shanghai and Hong Kong respectively. 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 major operations.

2. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATE AND BASIS OF CONSOLIDATION

Accounting System

The Company prepares its financial statements in accordance with "Accounting Standard for Business Enterprises" and "Accounting Regulations for Joint Stock Companies".

Financial Year

The Company adopts the calendar year as its financial year i.e. from 1 January to 31 December .

Reporting Currency

The Company's books of accounts are maintained in Renminbi.

Basis of accounting and valuation

It is in accordance with the accrual concept and valuation is based on historical cost.

Foreign currencies

Transactions denominated in foreign currency are translated into Renminbi at the exchange rate quoted by the Peoples' Bank of China on the last day of the previous month. Monetary accounts denominated in foreign currencies as at the end of each month are translated into Renminbi at the exchange rate quoted by the Peoples' Bank of China. Exchange differences are dealt with in the profit and loss account as financial expenses.

Translation of financial statements denominated in foreign currency

The items of financial statements denominated in foreign currencies are translated using the following exchange rates for recording: Assets and liabilities are translated into Renminbi at the market exchange rates at the balance sheet date; Shareholders' equity are translated at historical rates of exchange; profit and loss items are translated at average exchange rate for the year. Prior year figures and brought forward balances are disclosed in accordance with the last year's financial statements. The difference arises from translation of balance sheet and profits and loss account and profits distribution using different rates is charged to the exchange reserve account which is shown in balance sheet.

Basis of Consolidation

(1) Scope of consolidation

The consolidated financial statements incorporate the financial statements of the Company and of its subsidiaries, both domestic and overseas, for the financial year ended 31 December. A subsidiary is an enterprise in which the Company holds, directly or indirectly, more than 50% of the equity share capital of the investee companies or to which the Company is able to control the operating activities of the investee companies through other methods.

(2) Accounting method for consolidation

The principle accounting policies adopted by the subsidiaries are consistent with the Company.

All intra - group balances and transactions have been eliminated on consolidation.

Cash equivalents

In the cash flow statements, cash equivalents represent the cash and bank balances and short term investments which are readily convertible to cash and which are subject to insignificant risk of changes in value.

Provision for bad debts

(1) Basis of recognition of bad debts

A debtor who is bankrupt and makes repayment according to legal procedure. After that, the related account receivable is confirmed as unrecoverable.

A debtor who is dead and there is no estate for repayment and no obligatory guarantor. The related account receivable is confirmed as unrecoverable.

A debtor do not make repayment as agreed and there is obvious indication that the related account receivables is unrecoverable.

(2) Accounting for loss arising from bad debts

Provision for bad debts is reasonably estimated based on the Company's past experience, the financial position and cash flow of the debtors together with other relevant information.

Inventories

Inventories are stated at historical cost at acquisition. Historical cost includes direct materials, direct labour and direct overheads that have incurred in production or provision of services plus a proportionate share of indirect expenses. The inventories of the Company include raw materials, work-in-progress and finished goods.

The cost of inventories sold is calculated on a weighted average basis. Consumables are charged to profit and loss account when they are requisitioned.

Provision for diminution in value of inventories

At the end of year, a provision for diminution in value of inventories will be made when its net realisable value is lower than its costs. The provision is made at the

amount equal to the excess of the net realisable value of an inventory over its cost. Net realizable value represents the estimated selling price less all further costs to completion and costs to be incurred in marketing, selling and distribution.

Long term investments

(1) Long term share investments

Long term investments are stated at cost of acquisition.

The investee company to which the Company is able to control, by itself or jointly with other parties, or to exert significant influence is accounted for using the equity method; the current year's investment income is accounted for on basis of its proportionate share of profit or loss.

(2) Accounting for long term debenture investment

The difference between the cost of long term debenture investment net related expenses and interest receivable and the par value of the debenture will be the premium or discount of debenture investment;

Interest income is recognised on its possibility of recovery.

(3) Provision for diminution in value of investment

Owing to continuous decline in market prices or change in the operation of investee company, the long term investment returns are lower than the book value of the long term investment. The difference is stated as provision for diminution in value of investment. The difference is to write off the provision for surplus reserve firstly and the shortfall will be recognised as investment loss for the period.

Fixed assets and depreciation

Fixed assets include buildings, plant and machinery, transportation equipment, other production and operating equipment, utensils and tools with useful lives of over one year, and non-production and operating equipment with unit price over Rmb2,000 and useful lives of over two years.

Fixed assets are stated at cost. Depreciation is provided to write off the cost of fixed assets over their estimated useful lives from the following month after they are put into operations using the straight line method. The estimated residue value is 3% of its cost. The estimated useful lives and depreciation rates of the fixed assets are:-

| | useful lives (years) | Estimated Annual rate |
|--|-----------------------------|------------------------------|
| Buildings | 40 | 2.425% |
| Plant and machinery | 8 - 14 | 12.125%-6.929% |
| Electronic equipment, furniture & fixture | 8 | 12.125% |
| Transportation equipment | 8 | 12.125% |

Construction in progress

Construction in progress is stated at cost which includes all construction expenditure borrowing costs, exchange gains or losses and other relevant expenses attributable to such projects. The cost of construction in progress will be transferred to fixed assets when the projects are completed.

The interest and exchange loss of loan for construction, before the completion of fixed assets, is included in the construction in progress.

Intangible assets

Intangible assets are stated at cost of acquisition or development and are amortised on a straight line basis over their estimated useful lives.

Pre-operating expenses

Pre-operating expenses are amortised over 5 years on the straight line basis from the date of the company's commencement of production.

Long term deferred expenses

Long term deferred expenses are stated at cost incurred or at revalued amount when contributed by shareholders.

Long term deferred expenses are amortised over their useful lives on a straight line basis.

Revenue Recognition

Sales of goods are recognised at the time when the substantial risks and rewards of ownership of the goods has been passed to the buyers and the Company no longer manages or physically controls the goods and the Company receives the payments or obtains the right to receive payment.

For service agreements that are commenced and completed in the same year, service income is recognised when the service agreements are completed.

Income tax

Income tax for the year is provided on the assessable income which is calculated on basis of the accounting profit adjusted in accordance with the relevant tax laws and regulations.

3. HOUSE REVOLVING FUND

According to the requirements of Cai Qi Zi (2000) No. 295 document "Notice of the Financial Arrangement during the Reform of Corporate Staff Quarter System" and Cai Qi Zi (2000) No. 878 document "Supplementary Notice of the Financial Arrangement during the Reform of Corporate Staff Quarter System" issued by the Ministry of Finance, the Company cancelled the house revolving fund control system after 6 September, 2000.

The balance of house revolving fund debit as at 6 September, 2000 amounted to Rmb40,682,902.68 which will be adjusted in retained profits in the beginning of the period in accordance with the above regulations. As the base of the prior year's statutory surplus reserve and statutory public welfare fund decreased, the Board of Directors of the Company resolved that the opening balance of statutory surplus reserve and statutory public welfare fund is each reduced by Rmb4,068,290.27 respectively; and the retained profit at the beginning of the period increased by Rmb8,136,580.54 correspondingly.

4. TAXATION

Value added tax

It is charged at 17% or 13% of sales and other operating revenues for output value added tax and after deducting for input value added tax.

Business tax

5% of the service income.

Income tax

In accordance with the document Cai Shui Zi (1997) No. 38 dated 10 March, 1997 issued by the Ministry of Finance and State Tax Bureau, income tax is calculated at 15% of the total assessable income of the Company.

The subsidiaries have adopted the relevant applicable tax rates.

5. DETAILS OF SUBSIDIARIES

The Company owns the following subsidiaries:

| Name of the subsidiaries | Percentage of Registered shares capital | equity held by the Company % | Nature of Business |
|--|--|-------------------------------------|---|
| Beiren Group Transportation Company | Rmb3,150,000 | 100.00 | Transportation business |
| Beijing Beiren Fuji Printing Machinery Company Limited | US\$5,100,000 | 70.00 | Manufacturing of printing machines |
| Beijing Beiren Jing Yan Printing Machinery Factory | Rmb4,050,000 | 98.77 | Manufacturing of printing machine and spare parts and |
| | | | provision of technical consultancy services |
| Beiren Tai He Printing and | Rmb4,000,000 | 62.50 | Manufacturing of casting parts |

| | | | |
|--|---------------|--------|--|
| Casting Factory | | | for printing machinery |
| Beijing Beiren Printing Machinery Accessories Factory | Rmb2,000,000 | 94.65 | Manufacturing of parts and components for printing machines |
| Hebei Beiren Gei Zhi Ji Chang | Rmb4,802,600 | 50.68 | Manufacturing of paper feeder machines |
| Haimen Beiren Printing Machinery Company Limited | Rmb29,000,000 | 51.20 | Manufacturing of printing machines and related accessories |
| Sheenlite Limited | HK\$3 | 100.00 | Provision of Hong Kong representative office and asset custodial service to the Group |

The above subsidiaries have been consolidated.

6. CASH AND BANK BALANCES

| | 31.12.2000 | | | 31.12.1999 | | |
|--------------------|----------------------------------|------------------|----------------|----------------------------------|------------------|----------------|
| | Amount in foreign currency | Exchange rate | Rmb | Amount in foreign currency | Exchange rate | Rmb |
| Cash | | | | | | |
| Renminbi | - | - | 12,667.07 | - | - | 16,247.34 |
| Foreign currency - | | | | | | |
| Hong Kong dollars | 5,665.20 | 1.060600 | 6,008.51 | 9,702.20 | 1.065100 | 10,333.81 |
| Foreign currency - | | | | | | |
| Japanese Yen | - | - | - | 120,125.00 | 0.080933 | 9,722.07 |
| | | | 18,675.58 | | | 36,303.22 |
| Bank balance | | | | | | |
| Renminbi | - | - | 121,845,788.69 | - | - | 156,316,086.02 |
| Foreign currency - | | | | | | |
| Hong Kong dollars | 3,899,839.79 | 1.060600 | 4,142,817.72 | 44,284,421.71 | 1.065100 | 47,167,337.56 |
| Foreign currency - | | | | | | |
| US dollars | 36,270.39 | 8.278100 | 300,249.91 | 29,769.08 | 8.279300 | 246,467.14 |

| | | | | | | |
|--------------------|---------------|----------|----------------|------------|----------|----------------|
| Foreign currency - | | | | | | |
| Japanese yen | 15,357,913.00 | 0.072422 | 1,112,250.78 | 296,569.00 | 0.080933 | 24,002.22 |
| | | | 127,401,107.10 | | | 203,753,892.94 |
| | | | 127,419,782.68 | | | 203,790,196.16 |

7. ACCOUNT RECEIVABLES

The aging of account receivables is analysed as follows:

| | 31.12.2000 | | | 31.12.1999 | | |
|-----------------|---------------|--------|---------------------------|---------------|--------|---------------------------|
| | Amount | Ratio | Provision for Bad Debt | Amount | Ratio | Provision for Bad Debt |
| | <i>Rmb</i> | (%) | <i>Rmb</i> | <i>Rmb</i> | (%) | <i>Rmb</i> |
| Within 1 year | 69,592,438.37 | 82.95 | - | 31,974,375.54 | 71.75 | 16,712.81 |
| 1 year-2 years | 8,146,908.53 | 9.71 | 1,522,832.68 | 4,405,692.68 | 9.89 | 1,324,404.68 |
| 2 years-3 years | 3,449,854.89 | 4.11 | 2,165,413.87 | 4,038,713.37 | 9.06 | 1,060,661.00 |
| Over 3 years | 2,713,219.24 | 3.23 | 2,642,553.00 | 4,142,553.35 | 9.30 | 2,642,553.00 |
| | 83,902,421.03 | 100.00 | 6,330,799.55 | 44,561,334.94 | 100.00 | 5,044,331.49 |

The five largest receivable accounts are as follows:

| Name of debtor | Amount due <i>Rmb</i> | Period due | Reason |
|--|--------------------------|---------------|-------------|
| Beiren Group Corporation | 43,888,557.96 | within 1 year | Agency sale |
| Nanchang Bank Notes Printing Plant | 2,415,000.00 | within 1 year | credit sale |
| Sale Department Beijing Printing Machine Tool Component | 2,277,530.22 | 2-3 years | credit sale |
| Guangdong Mao Ming Daily | 1,947,482.67 | within 1 year | credit sale |
| Yuxi Computer Note Colour Printing Plant | 1,400,000.00 | over 3 years | credit sale |
| | 51,928,570.85 | | |

Accounts receivable who are shareholders of more than 5% of the Company's shares are as follows:

| Name of Shareholder | 2000 <i>Rmb</i> | 1999 <i>Rmb</i> |
|----------------------------|---------------------------|--------------------|
| Beiren Group Corporation | 43,888,557.96 | 20,079,759.00 |

8. OTHER RECEIVABLES

The aging of other receivables is analysed as follows:

| | 31.12.2000 | | | 31.12.1999 | | |
|-----------------|---------------|--------------|-----------------------------------|---------------|--------------|-----------------------------------|
| | Amount | Ratio | Provision for Bad Debt | Amount | Ratio | Provision for Bad Debt |
| | <i>Rmb</i> | (%) | <i>Rmb</i> | <i>Rmb</i> | (%) | <i>Rmb</i> |
| Within 1 year | 5,169,002.14 | 18.30 | - | 39,684,706.81 | 63.97 | - |
| 1 year-2 years | 4,419,339.22 | 15.64 | 496,983.95 | 7,324,443.11 | 11.81 | 2,190,575.05 |
| 2 years-3 years | 10,949,594.64 | 38.76 | 4,354,842.18 | 7,580,839.57 | 12.22 | 2,062,837.95 |
| Over 3 years | 7,710,575.28 | 27.30 | 2,208,575.49 | 7,447,825.66 | 12.00 | 2,000,000.00 |
| | 28,248,511.28 | 100.00 | 7,060,401.62 | 62,037,815.15 | 100.00 | 6,253,413.00 |

The five largest other receivables are as follows:

| Debtor | Balance Due <i>Rmb</i> | Period due | Nature of debt |
|---|----------------------------------|-------------------|----------------------------------|
| China Venturetech Investment Company | 5,000,000.00 | 2-3 years | matured deposit |
| Baiyin Yinpeng City Cooperative Credit Union | 5,000,000.00 | over 3 years | matured deposit |
| Beijing Da You Environment Engineering Company | 1,600,000.00 | over 3 years | designated deposit |
| Da Xing Xian Gong Ye Ju | 1,000,000.00 | over 3 years | prepayment for land use right |
| Peng Lai Jing Mei Shang Biao Yin Shua Gong Si | 500,000.00 | 1-2 years | loan |
| | 13,100,000.00 | | |

The balance of other receivables does not contain any amounts due from shareholders who hold more than 5% of the Company's shares.

9. PREPAYMENT

The aging of prepayment is analysed as follows:

| | 31.12.2000 | | 31.12.1999 | |
|-----------------|---------------|----------|--------------|----------|
| | <i>Rmb</i> | <i>%</i> | <i>Rmb</i> | <i>%</i> |
| Within 1 year | 16,323,169.79 | 96.02 | 2,682,449.04 | 88.14 |
| 1 year-2 years | 519,685.42 | 3.06 | 164,659.25 | 5.41 |
| 2 years-3 years | 157,461.93 | 0.92 | 146,347.24 | 4.81 |
| Over 3 years | - | - | 50,000.00 | 1.64 |
| Total | 17,000,317.14 | 100.00 | 3,043,455.53 | 100.00 |

The five largest prepayment are as follows:

| Creditor | Balance due | Period due | Nature of credit |
|--|---------------|---------------|---------------------------|
| Printing Scientific Technology Research Intitute of People's Bank of China | 5,792,895.00 | within 1 year | Technology service fee |
| Beijing Ninghaitong Machinery Sale Company Limited | 3,655,700.00 | within 1 year | Goods payment |
| Beijing Yan Long Import and Export Company | 2,082,280.00 | within 1 year | Goods payment |
| Xuanwu Huacheng Electrical Appliance Plant | 2,000,000.00 | within 1 year | Goods payment |
| Hebei Packaging Printing Machinery Company Limited | 961,532.11 | within 1 year | Goods payment |
| | 14,492,407.11 | | |

The balance of prepayment does not contain any amounts due from shareholders who hold more than 5% of the Company's shares.

10. INVENTORIES AND PROVISION FOR DIMINUTION IN VALUE OF INVENTORIES

| | 31.12.2000 | | 31.12.1999 | |
|-----------------------|----------------|---------------|----------------|---------------|
| | Provision for | | Provision for | |
| | diminution | | diminution | |
| | Amount | in value | Amount | in value |
| | <i>Rmb</i> | <i>Rmb</i> | <i>Rmb</i> | <i>Rmb</i> |
| Raw materials | 71,463,255.17 | 4,860,000.45 | 73,873,198.39 | 5,931,693.11 |
| Work in progress | 242,223,489.51 | 2,614,648.00 | 203,517,874.42 | 9,134,093.00 |
| Finished goods | 177,316,300.39 | 8,684,869.00 | 81,740,606.00 | 8,030,264.34 |
| Semi-finished goods | 6,857,134.46 | 1,710,976.49 | 14,144,720.43 | 1,707,839.42 |
| Low value consumables | 29,554.47 | - | 166,096.58 | - |
| | 497,889,734.00 | 17,870,493.94 | 373,442,495.82 | 24,803,889.87 |

The higher closing balance than the opening balance for the year is mainly attributable to:

- (1) the acquisition of assets of No. 4 Plant from Beiren Group Corporation in 2000, including inventories of Rmb75,500,000.
- (2) the commencement of production of 12 bank notes machines for 中國印鈔造幣總公司 in 2000. Reserve and production materials increased approximately Rmb30,000,000 accordingly.

11. DEFERRED EXPENSES

| Type | 31.12.1999 | Additions | Amortised | 31.12.2000 |
|-------------------------|------------|------------|--------------|------------|
| | | the year | during | |
| | | | the year | |
| | <i>Rmb</i> | <i>Rmb</i> | <i>Rmb</i> | <i>Rmb</i> |
| Insurance | 24,101.65 | 41,809.08 | (41,006.73) | 24,904.00 |
| Road maintenance | 21,192.50 | 68,513.60 | (57,205.60) | 32,500.50 |
| Advertising | 14,529.91 | - | (14,529.91) | - |
| Moulds and tools | 20,248.87 | 17,614.74 | (37,863.61) | - |
| Newspapers subscription | 12,000.00 | 10,712.16 | (12,000.00) | 10,712.16 |
| Others | 161,374.66 | 80,908.12 | (122,864.91) | 119,417.87 |
| | 253,447.59 | 219,557.70 | (285,470.76) | 187,534.53 |

12. DISPOSAL OF CURRENT ASSETS CLEARANCE

| | 2000 | 1999 |
|----------------|------------|----------|
| | Rmb | Rmb |
| Stocktake loss | 199,310.66 | 7,645.04 |

The stocktake loss is due to Haimen Beiren Printing Machinery Company Limited, a subsidiary of the Company, in 2000. The loss is included in the current asset clearance account pending for the approval from the local tax bureau.

13. LONG TERM INVESTMENTS

| | 31.12.1999 | Additions during the year | Amortised during the year | 31.12.2000 |
|-------------------------------|---------------|---------------------------------|---------------------------------|---------------|
| | Rmb | Rmb | Rmb | Rmb |
| Long term share investment | - | - | - | - |
| Long term investment in debts | 32,967,000.00 | - | (120,000.00) | 32,847,000.00 |
| | 32,967,000.00 | - | (120,000.00) | 32,847,000.00 |

Long term investment in debts

(1)

Details of investment

| | 2000 | 1999 |
|---------------------------|---------------|---------------|
| | Rmb | Rmb |
| Investment in debentures | 120,000.00 | 240,000.00 |
| Investment in other debts | 32,727,000.00 | 32,727,000.00 |
| | 32,847,000.00 | 32,967,000.00 |

(2) Investment in debentures

| Type of debenture | Face Value | Annual interest | Purchase price | Maturity date |
|-------------------|---------------|--------------------|-------------------|------------------|
|-------------------|---------------|--------------------|-------------------|------------------|

| | | | | |
|-----------------------|------------|---------------|------------|------------|
| Electricity debenture | 120,000.00 | Interest free | 120,000.00 | 2007.10.30 |
|-----------------------|------------|---------------|------------|------------|

(3) Investment in other debts

| Name of investee company | Project | Term of investment | Amount Rmb | Rate of return % | Provision for diminution Rmb |
|---|---------------------------|--------------------|---------------|---------------------|---------------------------------|
| South-east Asia Investment and Development Company Limited (Note) | Property located in Macau | (Note) | 32,727,000.00 | 12-15 | - |

Note: Investment in other debts was originally the deposit for purchase of four flats from South-east Asia Investment and Development Company Limited in Macau. Pursuant to the contract, the Company do not hold the title and have the right to receive fixed income only before the expiration of the contract. The ownership of title is determined with reference to the execution of the contract on the date of expiration. Before the expiration of the contract, South-east Asia Investment and Development Company Limited shall pay the corresponding interest as agreed and has the obligation of refunding the deposit.

On the date of expiration of the contract, the other party did not perform the contract. Both parties agreed to delay the refund of the deposit and pay interest at agreed rate. To date, the nature of the business has changed to investment in debt.

From 1999, the Company has not received interest at the agreed rate accordingly. The Company considered that it was uncertain to receive the interest income. Therefore, the interest income was not stated.

14. FIXED ASSETS AND ACCUMULATED DEPRECIATION

| | Buildings Rmb | Plant and machinery Rmb | Furniture fixture and equipment Rmb | Motor vehicles Rmb | Total Rmb |
|------|------------------|----------------------------|---|-----------------------|--------------|
| Cost | | | | | |

| | | | | | |
|--|-----------------|----------------|---------------|----------------|-----------------|
| At beginning | 256,116,305.58 | 349,302,397.51 | 47,025,779.49 | 22,855,260.39 | 675,299,742.97 |
| Reclassification | 697,600.00 | (697,600.00) | - | - | - |
| Additions | 148,990.07 | 40,501,892.66 | 5,274,394.02 | 5,078,932.90 | 51,004,209.65 |
| Transfer from construction in progress | 107,292,917.50 | 14,419,971.86 | 1,655,448.62 | 1,831,588.00 | 125,199,925.98 |
| Transfer or reductions | | | | | |
| - reductions | (614,452.22) | (4,581,375.75) | (447,162.98) | (1,305,789.48) | (6,948,780.43) |
| - transfer to house revolving fund | (45,649,583.57) | - | - | - | (45,649,583.57) |
| At end of year | 317,991,777.36 | 398,945,286.28 | 53,508,459.15 | 28,459,991.81 | 798,905,514.60 |
| Accumulated depreciation | | | | | |
| At beginning | 69,958,150.37 | 175,641,577.62 | 21,267,131.35 | 10,411,851.22 | 277,278,710.56 |
| Transfer from No. 4 Plant | - | 22,083,524.14 | 863,571.07 | 3,110,322.46 | 26,057,417.67 |
| Charge for the year | 6,424,770.91 | 18,133,600.07 | 4,865,210.07 | 2,659,364.09 | 32,082,945.14 |
| Transfer or reductions | | | | | |
| - reductions | (61,967.04) | (2,382,238.33) | (252,964.68) | (820,901.72) | (3,518,071.77) |
| - transfer to house revolving fund | (415,561.68) | - | - | - | (415,561.68) |
| At end of year | 75,905,392.56 | 213,476,463.50 | 26,742,947.81 | 15,360,636.05 | 331,485,439.92 |
| Net book values | | | | | |
| At beginning of year | 186,158,155.21 | 173,660,819.89 | 25,758,648.14 | 12,443,409.17 | 398,021,032.41 |
| At end of year | 242,086,384.80 | 185,468,822.78 | 26,765,511.34 | 13,099,355.76 | 467,420,074.68 |

Note: (1) Due to adjustment of product mix, certain machinery has been sealed and no depreciation is provided since then. At 31 December 2000, the net book value of the sealed fixed asset totalled Rmb12,932,736.66.

(2) The Company acquired No. 4 Plant from Beiren Group Corporation for the year. Of which, the acquired fixed assets, at cost, was Rmb43,025,206.08 and the accumulated depreciation amounted to

Rmb26,057,417.67.

15. CONSTRUCTION IN PROGRESS

| Project name | Reclassification at beginning | Additions during | Transferred to fixed assets | Other | Source | | Progress |
|---------------------------|----------------------------------|---------------------|--------------------------------|-------------------------------|--------------------------|--------------------------|-------------------|
| | 31.12.1999 <i>Rmb</i> | of the year | the year <i>Rmb</i> | during the year <i>Rmb</i> | reductions <i>Rmb</i> | 31.12.2000 <i>Rmb</i> | of funds |
| Equipment renovation | 10,134,550.28 | 526,128.79 | 48,566,551.59 | (17,907,008.48) | (506,571.42) | 40,813,650.76 | Self-financed 92% |
| Workshop improvements | 5,591,062.26 | (526,128.77) | 107,389,493.50 | (107,292,917.50) | - | 5,161,509.49 | Self-financed 98% |
| Conservational facilities | 227,718.02 | (0.02) | 465,000.00 | - | - | 692,718.00 | Self-financed 96% |
| | 15,953,330.56 | - | 156,421,045.09 | (125,199,925.98) | (506,571.42) | 46,667,878.25 | |

Note: (1) The Company acquired No. 4 Plant from Beiren Group Corporation for the year. Of which, the acquired construction in progress amounted to Rmb82,541,546.01.

(2) During the year, there was no interest capitalised.

16. INTANGIBLE ASSETS

| Type | Original Amount | 31.12.1999 | Additions during the year | Amortised in the year | 31.12.2000 | Remaining amortisation period |
|------------------------|--------------------|--------------|---------------------------------|--------------------------|---------------|-------------------------------------|
| | <i>Rmb</i> | <i>Rmb</i> | <i>Rmb</i> | <i>Rmb</i> | <i>Rmb</i> | |
| Imported sales network | 4,350,000.00 | 3,697,500.00 | - | (217,500.00) | 3,480,000.00 | 16 years |
| Technical knowhow | 5,525,422.13 | 1,974,824.79 | 2,073,374.13 | (332,686.89) | 3,715,512.03 | 6-15 years |
| Land use right | 25,121,440.00 | 4,274,801.56 | 20,480,000.00 | (92,828.76) | 24,661,972.80 | 43-50 years |
| | 34,996,862.13 | 9,947,126.35 | 22,553,374.13 | (643,015.65) | 31,857,484.83 | |

17. PRE-OPERATING EXPENSES

| Type | 31.12.1999 | Amortised in the year | 31.12.2000 |
|------|------------|--------------------------|------------|
| | <i>Rmb</i> | <i>Rmb</i> | <i>Rmb</i> |

| | | | |
|------------------------|-----------|-------------|---|
| Pre-operating expenses | 26,943.94 | (26,943.94) | - |
|------------------------|-----------|-------------|---|

18. LONG TERM DEFERRED EXPENSES

| Type | 31.12.1999 <i>Rmb</i> | Addition during the year | | Amortised in the year | 31.12.2000 <i>Rmb</i> |
|--------------------------|--------------------------|-----------------------------|----------------|--------------------------|--------------------------|
| | | <i>Rmb</i> | <i>Rmb</i> | <i>Rmb</i> | |
| Land development cost | 52,320,000.00 | - | (1,212,000.00) | | 51,108,000.00 |
| Equipment improvement | 320,319.48 | - | (212,434.55) | | 107,884.93 |
| Product development cost | 610,175.45 | - | (134,005.08) | | 476,170.37 |
| Repair to factory | 962,492.29 | 674,910.94 | (192,498.48) | | 1,444,904.75 |
| | 54,212,987.22 | 674,910.94 | (1,750,938.11) | | 53,136,960.05 |

19. DEFERRED TAX DEBIT

| | 31.12.1999 <i>Rmb</i> | Addition during the year | | Amortised in the year | 31.12.2000 <i>Rmb</i> |
|--------------------|--------------------------|-----------------------------|----------------|--------------------------|--------------------------|
| | | <i>Rmb</i> | <i>Rmb</i> | <i>Rmb</i> | |
| Deferred tax debit | 1,489,447.32 | - | (1,489,477.32) | | - |

It represents the residual balance of deferred value added tax arising from tax reform on 1 January 1994 .

20. SHORT TERM LOAN

| Type of loan | 31.12.2000 <i>Rmb</i> | 31.12.1999 <i>Rmb</i> |
|--------------|--------------------------|--------------------------|
| By guarantee | 20,000,000.00 | 10,780,000.00 |
| Unsecured | 1,000,000.00 | 5,000,000.00 |
| | 21,000,000.00 | 15,780,000.00 |

The balance at end of 2000 includes Rmb20,000,000 guaranteed by Beiren Group Corporation.

21. ACCOUNTS PAYABLE

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

| Name of Shareholder | 31.12.2000 | 31.12.1999 |
|----------------------------|-------------------|-------------------|
| | <i>Rmb</i> | <i>Rmb</i> |
| Beiren Group Corporation | - | 9,658.12 |

22. RECEIPTS IN ADVANCE

The balance of receipts in advance does not contain any amounts due to shareholders who hold more than 5% of the share capital of the Company.

23. DIVIDENDS PAYABLE

| Name of investor | 31.12.2000 | 31.12.1999 |
|--------------------------|-------------------|-------------------|
| | <i>Rmb</i> | <i>Rmb</i> |
| Beiren Group Corporation | 25,000,000.00 | 13,750,000.00 |
| PRC public shares | 5,000,000.00 | 2,750,000.00 |
| Hong Kong public shares | 10,000,000.00 | 5,500,000.00 |
| | 40,000,000.00 | 22,000,000.00 |

24. TAXES PAYABLES

| | 31.12.2000 | 31.12.1999 |
|--|-------------------|-------------------|
| | <i>Rmb</i> | <i>Rmb</i> |
| Income tax | 1,907,857.08 | 5,900,774.32 |
| Value added tax | (6,816,487.29) | 4,684,206.74 |
| Business tax | 49,864.99 | 82,109.33 |
| Urban maintenance and construction tax | 186,991.50 | 371,149.37 |
| Land use tax | 61,103.00 | 61,103.00 |
| Real estate tax | 456,142.82 | 456,142.82 |
| Individual income tax | 19,307.69 | 373.84 |

(4,135,220.21) 11,555,859.42

25. OTHER PAYABLES

The balance of other payables due to shareholders who hold more than 5% of the share capital of the Company:

| Name of Shareholders | 31.12.2000 <i>Rmb</i> | 31.12.1999 <i>Rmb</i> |
|----------------------|--------------------------|--------------------------|
|----------------------|--------------------------|--------------------------|

| | | |
|--------------------------|----------------|---|
| Beiren Group Corporation | 126,754,049.26 | - |
|--------------------------|----------------|---|

26. ACCRUALS

| | 31.12.2000 <i>Rmb</i> | 31.12.1999 <i>Rmb</i> |
|--|--------------------------|--------------------------|
|--|--------------------------|--------------------------|

| | | |
|-------------------------|-----------|-----------|
| Property Management fee | 47,727.00 | 67,114.08 |
|-------------------------|-----------|-----------|

| | | |
|--------|-----------|-----------|
| Others | 11,608.75 | 98,290.60 |
|--------|-----------|-----------|

| | | |
|--|-----------|------------|
| | 59,335.75 | 165,404.68 |
|--|-----------|------------|

27. DEFERRED TAX CREDIT

31.12.1999 & 31.12.2000
Rmb

| | |
|---------------------|------------|
| Deferred tax credit | 242,941.38 |
|---------------------|------------|

In accordance with the relevant regulations issued by the Ministry of Finance, the future tax payable 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.

28. SHARE CAPITAL

31.12.1999 & 31.12.2000
(share)

A. Not yet listed

1.

Promoter's legal

| | |
|----------------------------|----------------|
| person shares | |
| - State-owned | |
| legal person shares | 250,000,000.00 |
| Sub-total | 250,000,000.00 |
| B. Listed | |
| 1. PRC public shares | 50,000,000.00 |
| 2. Hong Kong public shares | 100,000,000.00 |
| Sub-total | 150,000,000.00 |
| C. Total shares | 400,000,000.00 |

The nominal value of the above share capital is Rmb1 per share.

29. CAPITAL RESERVE

| | |
|--|--|
| | 31.12.1999 & 31.12.2000 |
| | <i>Rmb</i> |
| Share Premium | 398,134,633.19 |
| Capital reserve on shares in investee companies | 1,376,667.85 |
| | 399,511,301.04 |

30. SURPLUS RESERVE

| | Statutory Surplus reserve <i>Rmb</i> | Discretionary reserve surplus <i>Rmb</i> | Statutory fund public welfare <i>Rmb</i> | Total <i>Rmb</i> |
|--------------------------------|---|---|---|---------------------|
| Balance at beginning of year | 44,404,009.74 | 42,979,710.17 | 38,751,661.16 | 126,135,381.07 |
| Prior period adjustment (Note) | (4,068,290.27) | - | (4,068,290.27) | (8,136,580.54) |
| Opening balance restated | 40,335,719.47 | 42,979,710.17 | 34,683,370.89 | 117,998,800.53 |

| | | | | |
|------------------------|---------------|---------------|---------------|----------------|
| Additions | 5,167,467.18 | - | 5,167,467.18 | 10,334,934.36 |
| Balance at end of year | 45,503,186.65 | 42,979,710.17 | 39,850,838.07 | 128,333,734.89 |

Note: As stated in note 3 "housing revolving fund", the statutory surplus reserve and statutory public welfare fund are adjusted accordingly.

31. RETAINED PROFITS

| Item | Appropriation Ratio | Amount Rmb |
|--|--|-----------------|
| Retained profit brought forward before adjustment | | 78,237,704.01 |
| Add: Prior year adjustment to retained profit brought forward (Note 1) | | (32,546,322.14) |
| Retained profits brought forward restated | | 45,691,381.87 |
| Add: Net profits for the year | | 51,423,260.71 |
| Less: Transfer to statutory surplus reserve | 10% net profits in 2000 | (5,167,467.18) |
| Transfer to statutory public welfare fund (Note 2) | 10% net profits in 2000 | (5,167,467.18) |
| Ordinary share dividend payable (Note 2) | According to the 2000 profits distribution plan passed in the directors meeting, the dividend is Rmb0.10 per share (tax inclusive) | (40,000,000.00) |
| Retained profits carried forward | | 46,779,708.22 |

Note 1: Due to change in accounting policy as stated in note 3, the retained profit brought forward is adjusted.

Note 2: The transfer to statutory public welfare fund and proposed profit distribution plan is subjected to the approval by shareholders in the Annual General Meeting.

32. PROFITS FROM OTHER OPERATIONS

| | 2000 | 1999 |
|--------------------------|-----------------------|-------------------|
| | <i>Rmb</i> | <i>Rmb</i> |
| Trading of raw materials | | |
| -income | 3,894,093.37 | 4,286,261.12 |
| -expense | (3,554,440.88) | (3,882,797.82) |
| | 339,652.49 | 403,463.30 |
| Rental income | | |
| -income | 189,999.70 | 50,000.00 |
| -expense | (1,250.00) | - |
| | 188,749.70 | 50,000.00 |
| Other | | |
| -income | 2,057,728.66 | 2,802,561.97 |
| -expense | (983,006.83) | (1,616,361.78) |
| | 1,074,721.83 | 1,186,200.19 |
| | 1,603,124.02 | 1,639,663.49 |

33. DIMINUTION IN VALUE OF INVENTORIES

Owing to improving market situation, market prices of certain models of printing machinery and pressing machines increased in 2000. Therefore, the diminution in value of inventories was reversed by Rmb6,933,395.93.

34. FINANCIAL EXPENSES

| | 2000 | 1999 |
|-----------------------|-----------------------|-------------------|
| | <i>Rmb</i> | <i>Rmb</i> |
| Interest expenses | 2,514,774.02 | 2,615,193.22 |
| Less: Interest income | (4,504,267.48) | (5,309,820.93) |
| Exchange loss | 481,795.56 | 261,384.68 |
| Less: Exchange income | (138,214.98) | (202,085.70) |
| Others | 63,457.32 | 63,033.27 |
| | (1,582,455.56) | (2,572,295.46) |

35. INVESTMENT INCOME

| | 2000 | 1999 |
|--|-------------|------------|
| | <i>Rmb</i> | <i>Rmb</i> |
| Income from government bonds and debenture | - | 630,815.12 |

36. INCOME TAX

| | 2000 | 1999 |
|----------------------------------|---------------------|---------------|
| | <i>Rmb</i> | <i>Rmb</i> |
| Income tax of the Company (Note) | 8,622,116.34 | 13,232,949.26 |
| Income tax of subsidiaries | 24,821.51 | 29,948.93 |
| | 8,646,937.85 | 13,262,898.19 |

Note: Enterprise income tax of the Company is provided on the assessable income. Reduction of the enterprise income tax for 2000 is mainly attributable to the change from adoption of assessable salary policy to performance policy (Jing Lao Zi Fa (2000) No. 263). Assessable salary in the assessable tax decreased significantly.

37. OTHER CASH PAID RELATING TO OPERATING ACTIVITIES

| | Amount |
|---------------------------------------|---------------|
| | <i>Rmb</i> |
| Agency commission paid | 9,121,994.74 |
| Payment for land use right | 2,000,000.00 |
| Payment for trademark fee | 3,706,000.00 |
| Audit fee | 1,872,244.00 |
| Installation and testing fee | 4,918,916.60 |
| Repairs and maintenance | 2,308,000.00 |
| Advertising, promotion and exhibition | 1,597,130.36 |
| Others | 43,513,999.97 |

69,038,285.67

38. RELATED PARTIES TRANSACTIONS

1) Related parties that have controlling relationship

| Name of related party | Relations with the company | Place of registration | Nature of establishment | Legal representative | Main Business |
|--------------------------|----------------------------|---------------------------|-------------------------|----------------------|--|
| Beiren Group Corporation | Holding Company | Beijing Chaoyang District | State-owned company | Zhu Wuan | Manufacturing and sales of printing machines, packing machines, machine beds and parts and components of such machines |

2) Changes in the Company's share capital held by related parties

| Name of related party | Closing and opening balance | Ratio |
|--------------------------|-----------------------------|----------|
| | Amount | |
| | <i>Rmb</i> | <i>%</i> |
| Beiren Group Corporation | 250,000,000 | 62.50 |

3) Related parties that have no controlling relationship

| Name of related party | Relations with the company |
|--|----------------------------|
| Beijing Yan Long Import and export Company | Fellow Subsidiary |

4) The Company had the following significant related transactions with the above related companies

a) Sales and purchases

For the year 2000:

| Item | Yan Long Import and Export Company | Beiren Group Corporation | Total |
|--|---|-------------------------------------|----------------|
| | <i>Rmb</i> | <i>Rmb</i> | <i>Rmb</i> |
| Sales transacted on behalf of the Company | 393,162.39 | 353,772,903.56 | 354,166,065.95 |
| Sale of materials | - | 2,794,742.00 | 2,794,742.00 |
| Sale commission paid | 11,794.86 | 9,121,994.74 | 9,133,789.60 |
| Payment for land use right | - | 2,000,000.00 | 2,000,000.00 |
| Trademark fee paid | - | 3,707,493.52 | 3,707,493.52 |
| Purchase of materials | - | 14,916,000.00 | 14,916,000.00 |
| Repair and maintenance fee paid | - | 62,566.00 | 62,566.00 |

For the year 1999:

| Item | Yan Long Import and Export Company | Beiren Group Corporation | Total |
|--|---|-------------------------------------|----------------|
| | <i>Rmb</i> | <i>Rmb</i> | <i>Rmb</i> |
| Sales transacted on behalf of the Company | 1,763,405.25 | 397,325,732.44 | 399,089,137.69 |
| Sale of materials | - | 4,061,998.83 | 4,061,998.83 |
| Sale commission paid | 52,902.16 | 9,919,771.96 | 9,972,674.12 |
| Payment for land use right | - | 2,000,000.00 | 2,000,000.00 |
| Trademark fee paid | - | 3,990,891.37 | 3,990,891.37 |
| Purchase of materials | - | 7,156,355.83 | 7,156,355.83 |
| Repair and maintenance | - | 62,566.00 | 62,566.00 |

b) Transfer of assets, business and staff relations

The Company and Beiren Group Corporation entered into an agreement on the transfer of assets, business and staff relations of Beijing No. 4 Printing Machinery Plant of Beiren Group Corporation in September, 2000. Both parties agreed that the basis price is the valuation of Rmb162,251,547.88 conducted by Beijing De Wei Valuation Company Limited (De Wei Ping Bao Zi 2000 No.67) on 31 July, 2000. The valuation was confirmed by Finance Bureau (Jing Cai Ping (2000) No. 1747). Asia Financial Capital Limited, the independent financial advisor of the Company,

prepared an independent financial report with respect to the transfer agreement for the Company.

The date of completion of the agreement was 30 November, 2000. The Company and Beiren Group Corporation agreed that the operating income of No.4 Plant from 1 August, 2000 to 30 November, 2000 amounting to Rmb6,547,516.73 belonged to Beiren Group Corporation.

In addition, the corresponding value added input tax borne by the Company amounted to Rmb12,619,988.02.

The above amount totalled Rmb181,419,052.63. The Company paid Rmb54,665,003.37 to Beiren Group Corporation in December. As at 31 December, 2000, the Company has Rmb126,754,049.26 due to Beiren Group Corporation.

c) Current accounts with related parties

| Items | Name of related parties | End of year <i>Rmb</i> | Beginning of year <i>Rmb</i> |
|-----------------|---|---------------------------|------------------------------------|
| Trade debtors | Beiren Group Corporation (Note) | 43,888,557.96 | 20,079,759.00 |
| | Beijing Yan Long Import and Export Company (Note) | 655,100.00 | 655,100.00 |
| | | 44,543,657.96 | 20,734,859.00 |
| Prepayment | Beijing Yan Long Import and Export Company | 2,082,280.00 | - |
| Trade creditors | Beiren Group Corporation | - | 9,658.12 |
| Other payables | Beiren Group Corporation | 126,754,049 | - |

Note: consignment sales revenue

39. CONTINGENT EVENTS

As at the balance sheet date, no significant contingent event needs to be disclosed by the Company.

40. COMMITMENTS

(1) Capital commitments

At the end of the year
Rmb

| | |
|--|---------------|
| Contracted but not provided for purchase of assets | 73,460,000.00 |
|--|---------------|

(2) Lease commitments

As at the balance sheet date, non-cancellable operating leases are as follows:

At the end of the year
Rmb

| | |
|---------------------------|---------------|
| Rental payable | |
| Within 1 year (inclusive) | 987,560.00 |
| Over 1 year | 9,733,280.00 |
| | 10,720,840.00 |

41. POST BALANCE SHEET EVENT

There is no significant post balance sheet event that should be disclosed.

42. NOTES OF MAJOR ITEMS IN FINANCIAL STATEMENT OF THE COMPANY

(1) Long term share investment

| Name of the subsidiary | Percentage of shares held by the Company % | At beginning of year <i>Rmb</i> | Addition <i>Rmb</i> | Share of (loss) Profit <i>Rmb</i> | At end of year <i>Rmb</i> |
|------------------------|---|---------------------------------------|------------------------|---|---------------------------------|
|------------------------|---|---------------------------------------|------------------------|---|---------------------------------|

| | | | | | |
|--|--------|---------------|---|----------------|---------------|
| Beiren Group Transportation Company | 100.00 | 1,969,015.75 | - | (899,583.66) | 1,069,432.09 |
| Beijing Beiren Fuji Printing Machinery Company Limited | 70.00 | 28,175,547.07 | - | 317,536.39 | 28,493,083.46 |
| Beijing Beiren Jing Yan Printing Machinery Factory | 98.77 | 1,741,762.56 | - | (582,597.85) | 1,159,164.71 |
| Beiren Tai He Printing and Casting Factor | 62.50 | 2,589,117.66 | - | (30,431.06) | 2,558,686.60 |
| Beijing Beiren Printing Machinery Accessories Factory | 94.65 | 2,126,895.31 | - | (269,385.36) | 1,857,509.95 |
| Sheenlite Limited | 100.00 | - | - | - | - |
| Hebei Beiren Gei Zhi Ji Chang | 50.68 | 2,547,851.01 | - | 26,617.89 | 2,574,468.90 |
| Haimen Beiren Printing Machinery Company Limited | 51.20 | 10,753,084.78 | - | (1,725,197.80) | 9,027,886.98 |
| | | 49,903,274.14 | - | (3,163,041.45) | 46,740,232.69 |

(2) Investment income

| | 2000 Rmb | 1999 <i>Rmb</i> |
|--|---------------------------|--------------------|
| Gain recognised under equity method (less: loss) | (3,163,041.45) | (3,155,361.83) |
| Gain on debt investment | - | 630,815.12 |
| | (3,163,041.45) | (2,524,546.71) |