

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(Prepared under Hong Kong accounting standards)

For the year ended 31 December 2000

1. GENERAL

Beiren Printing Machinery Holdings Limited (the "Company") was established in Beijing, the People's Republic of China (the "PRC") on 13 July 1993 as a joint stock limited company in accordance with the provisions set out in the Standard Opinion on Joint Stock Limited Companies issued as of 15 May 1992 by the State Commission for Restructuring the Economic System of the PRC. The Company is registered as an overseas company in Hong Kong under Part XI of the Hong Kong Companies Ordinance. The H Shares and A Shares of the Company are listed on The Stock Exchange of Hong Kong Limited and the Shanghai Securities Exchange of the PRC respectively.

The Company is mainly engaged in the manufacture and sales of a variety of printing machines and related spare parts.

The ultimate holding company is Beiren Group Corporation ("BGC"), a state-owned company incorporated in the PRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill and capital reserve

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the net assets at the date of acquisition of subsidiaries and is eliminated against reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of subsidiaries over the purchase consideration, is credited to reserves.

On the disposal of a subsidiary, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less provision, if necessary, for any decline in value of the subsidiary that is other than temporary.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Items of property, plant and equipment, after accounting for 3% of cost as scrap value, are depreciated in equal annual instalments over their estimated useful lives.

The annual rates of depreciation used are as follows:

Land use rights in the PRC	Over the term of the leases
Buildings in the PRC	Over the shorter of the term of the leases and 40 years
Land in Hong Kong	Over the term of the leases

Buildings in Hong Kong	Over the shorter of the term of the leases and 50 years
Plant and machinery	7.14% - 10%
Furniture, fixtures and equipment	12.5% - 20%
Motor vehicles	12.5% - 20%

Construction in progress

Construction in progress, which includes all development expenditure and other direct costs, including interest expenses attributable to such projects, is stated at cost. Costs on completed construction works are transferred to property, plant and equipment or the relevant projects.

Intangible assets

Costs incurred in the acquisition of trademarks are capitalised and amortised on a straight line basis over their estimated useful lives of five years.

Technical knowhow, which is based on professional appraisals of knowhow contributed in accordance with the terms of the joint venture contracts or cost incurred in its acquisition, is stated at cost and amortised over its estimated useful life of ten years on a straight line basis.

Research and development costs are charged to the income statement in the year in which they are incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are deferred and written off over the life of the project from the date of commencement of commercial operations.

Deferred staff accommodation expense

Deferred staff accommodation expense represents the difference between the cost of quarters incurred by the Company and proceeds from sale of quarters to employees at preferential prices in accordance with the State's housing reform policy and local government regulations and is amortised over 20 years based on the estimated average remaining service life of employees. The unamortised expenses attributed to resigned employees will be written off as expenses in the year the employees resign from the Group.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Retirement benefit costs

Payments in respect of statutory retirement funds are charged as an expense as they fall due.

Foreign currencies

Transactions in currencies other than Renminbi are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Renminbi are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation the financial statements of overseas subsidiaries which are denominated in currencies other than Renminbi are translated at the rates ruling on the balance sheet date. All translation differences arising on consolidation are dealt with in reserves.

Taxation

Income taxes are provided for in accordance with tax regulations of the PRC and the provisions of the Hong Kong Inland Revenue Ordinance applicable to the Group.

Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

3. TURNOVER

Turnover represents the net sales value of printing machines, spare parts, raw materials and services from other operations. The Group's turnover and gross profit by operating activity is as follows:

	Turnover		Gross profit	
	2000	1999	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Manufacture and sales of printing machines	420,807	432,639	143,861	150,655
Manufacture and sales of spare parts	9,980	18,588	6,577	3,150

Trading of raw materials and other operations	17,220	7,507	4,844	1,747
Total sales	448,007	458,734	155,282	155,552
Less: Sales tax and other surcharges	(3,023)	(4,025)	-	-
	444,984	454,709	155,282	155,552

Substantially all of the Group's sales income is derived from the PRC and sales income derived from outside the PRC is insignificant.

4. OTHER REVENUE

Other revenue is analysed as follows:

	2000 <i>Rmb'000</i>	1999 <i>Rmb'000</i>
Interest on bank deposits	4,504	5,297
Interest on redemption of debentures	-	631
Others	95	1,930
	4,599	7,858

5. PROFIT FROM OPERATIONS

	2000 <i>Rmb'000</i>	1999 <i>Rmb'000</i>
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation		
Property, plant and equipment	32,342	31,826
Trademark	-	295
Technical knowhow	301	250
Development costs	326	134
Total depreciation and amortisation	32,969	32,505

Loss on disposal of property, plant and equipment	3,247	379
Auditors' remuneration	1,962	1,684
(Reversal of) provision for slow moving inventories	(6,933)	2,729
Provision for bad and doubtful debts	2,093	2,522
Operating lease payments in respect of factory facilities	3,066	2,928
Staff costs including amortisation of deferred staff accommodation expense of Rmb2,075,000 (1999: nil)	100,108	94,506

6. FINANCE COSTS

	2000 <i>Rmb'000</i>	1999 <i>Rmb'000</i>
Interest on bank loans wholly repayable within five years	2,515	2,615

7. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The directors' and supervisors' emoluments are analysed as follows:

	2000 <i>Rmb'000</i>	1999 <i>Rmb'000</i>
Fees:		
Executive directors	-	-
Independent non-executive directors	-	-
Supervisors	-	-
	-	-
Other emoluments:		
Executive directors		
Salaries and other benefits	93	78
Contributions to pension scheme	18	15
Performance related bonus	-	513
Independent non-executive directors	-	-

Supervisors		
Salaries and other benefits	90	71
Contributions to pension scheme	17	13
Performance related bonus	-	25
	218	715
	218	715

The emoluments of the above directors and supervisors fall within the following bands:

Amount HK\$ (Rmb)	2000 Number of persons	1999 Number of persons
0 - 1,000,000 (0 - 1,060,000)	12	15

8. EMPLOYEES' EMOLUMENTS

The emoluments of five highest paid individuals for the year were as below. The five highest paid individuals for 1999 included three directors details of whose emoluments are set out in note 7 above.

	2000 Rmb'000	1999 Rmb'000
Salaries and other benefits	1,535	317
Contributions to pension scheme	63	25
Performance related bonus	-	24
	1,598	366
Amount HK\$ (Rmb)	2000 Number of persons	1999 Number of persons
0 - 1,000,000 (0 - 1,060,000)	5	5

9. INCOME TAXES

	2000 <i>Rmb'000</i>	1999 <i>Rmb'000</i>
Provision for the year		
The PRC	8,648	13,252
Hong Kong	-	11
Overprovision in prior year		
Hong Kong	(1)	-
	8,647	13,263

PRC income tax is calculated at 15% (1999: 15%) on the estimated assessable profit for the year.

Hong Kong Profits Tax is calculated at 16% (1999: 16%) on the estimated assessable profit for the year.

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

Details of the potential deferred tax assets not recognised for the year are set out in note 30.

10. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year of Rmb50,831,000 (1999: Rmb50,200,000), a profit of Rmb55,080,000 (1999: Rmb54,163,000) has been dealt with in the financial statements of the Company.

11. APPROPRIATIONS AND DIVIDENDS

	2000 <i>Rmb'000</i>	1999 <i>Rmb'000</i>
Transfer to statutory surplus reserve		
(note 29)	1,099	1,973
Transfer to statutory public welfare fund		
(note 29)	1,099	1,973
Interim dividend of nil		
(1999: Rmb0.025)		

per share paid		
Proposed final dividend of Rmb0.10		
(1999: Rmb0.055) per share	40,000	22,000
	42,198	35,946

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the net profit for the year of Rmb50,831,000 (1999: Rmb50,200,000) and on the 400,000,000 shares (1999: 400,000,000 shares) in issue during the year.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>Rmb'000</i>	Plant and machinery <i>Rmb'000</i>	Furniture, fixtures and equipment <i>Rmb'000</i>	Motor vehicles <i>Rmb'000</i>	Total <i>Rmb'000</i>
THE GROUP					
COST					
At 1 January 2000	265,670	342,768	46,313	20,901	675,652
Exchange adjustments	(71)	-	(7)	-	(78)
Additions	21,213	19,032	3,525	1,734	45,504
Transfer from construction in progress	66,079	13,122	2,521	2,078	83,800
Disposals	(4,865)	(4,590)	(447)	(1,306)	(11,208)
At 31 December 2000	348,026	370,332	51,905	23,407	793,670
ACCUMULATED DEPRECIATION					
At 1 January 2000	72,118	171,400	20,216	8,782	272,516
Charge for the year	6,518	18,312	4,853	2,659	32,342
Eliminated on disposals	(477)	(2,382)	(253)	(824)	(3,936)
At 31 December 2000	78,159	187,330	24,816	10,617	300,922
NET BOOK VALUES					
At 31 December 2000	269,867	183,002	27,089	12,790	492,748

At 31 December 1999	193,552	171,368	26,097	12,119	403,136
THE COMPANY					
COST					
At 1 January 2000	225,229	306,269	42,196	14,124	587,818
Additions	20,480	19,279	2,561	1,589	43,909
Transfer from construction in progress	65,965	12,736	2,521	1,302	82,524
Disposals	(4,250)	(2,853)	(364)	(544)	(8,011)
At 31 December 2000	307,424	335,431	46,914	16,471	706,240
ACCUMULATED					
DEPRECIATION					
At 1 January 2000	68,536	160,173	18,932	6,560	254,201
Charge for the year	5,656	16,231	4,256	1,696	27,839
Eliminated on disposals	(416)	(1,782)	(209)	(461)	(2,868)
At 31 December 2000	73,776	174,622	22,979	7,795	279,172
NET BOOK VALUES					
At 31 December 2000	233,648	160,809	23,935	8,676	427,068
At 31 December 1999	156,693	146,096	23,264	7,564	333,617

An analysis of the net book value of the Group's and of the Company's land and buildings is as follows:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Land use rights in the PRC				
under medium-term leases	24,662	4,275	20,480	-
Buildings in the PRC under				
medium-term leases	230,309	173,990	213,168	156,693
Land and buildings in				
Hong Kong under long				
leases	14,896	15,287	-	-

269,867	193,552	233,648	156,693
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14. CONSTRUCTION IN PROGRESS

	THE GROUP		THE COMPANY	
	2000	1999	2000	
	1999			
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January	51,631	44,688	50,728	43,713
Additions	120,931	17,308	120,208	16,947
	172,562	61,996	170,936	60,660
Transfer to deferred staff accommodation expense	(40,683)	-	(40,683)	-
Transfer to property, plant and equipment	(83,800)	(10,365)	(82,524)	(9,932)
At 31 December	48,079	51,631	47,729	50,728

The construction in progress is made up of:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Buildings	6,032	40,336	5,943	40,063
Plant and machinery	42,047	11,295	41,786	10,665
	48,079	51,631	47,729	50,728

15. INTANGIBLE ASSETS

Technical knowhow	Development costs	Total
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	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
THE GROUP			
COST			
At 1 January 2000	2,495	1,146	3,641
Additions	2,073	674	2,747
At 31 December 2000	4,568	1,820	6,388
ACCUMULATED AMORTISATION			
At 1 January 2000	998	536	1,534
Amortised for the year	301	326	627
At 31 December 2000	1,299	862	2,161
NET BOOK VALUES			
At 31 December 2000	3,269	958	4,227
At 31 December 1999	1,497	610	2,107

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>
Unlisted shares at cost	52,232	52,232

Details of the subsidiaries are set out in note 38.

17. DEFERRED STAFF ACCOMMODATION EXPENSE

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Staff accommodation				
expense, net	41,503	-	41,503	-
Amortised for the year	2,075	-	2,075	-
Carrying values				

At 31 December 2000	39,428	-	39,428	-
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18. OTHER ASSETS

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Government bonds				
and debentures	120	240	120	240
Other investment	32,727	32,727	32,727	32,727
	32,847	32,967	32,847	32,967

The other investment was a payment of HK\$30,000,000 (Rmb32,727,000 equivalent) being purchase consideration for four shops in Macau. According to the Sale and Purchase Promissory Agreements, the vendor of the property has the option to request the Company to waive its right to buy the abovesaid shops if the vendor makes instalment payments ("Option Payments") totalling HK\$56,478,000 to the Company in accordance with agreed terms and schedules (see also note 27), the last of which is expected to be made before 30 December 2002.

19. INVENTORIES

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Raw materials	66,537	73,216	41,092	40,356
Work-in-progress	246,511	201,194	216,977	182,529
Finished goods	166,971	74,228	151,346	60,146
	480,019	348,638	409,415	283,031

Included above are raw materials of Rmb21,591,000 (1999: Rmb4,796,000), work-in-progress of Rmb21,807,000 (1999: Rmb21,225,000) and finished goods of Rmb5,458,000 (1999: Rmb4,716,000) which are carried at net realisable value.

20. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Accounts receivable	68,234	37,793	51,740	25,275
Prepayments	14,251	253	14,091	15
Other receivables	23,916	25,604	21,740	15,770
Prepaid taxes and levies	8,612	-	7,934	-
	115,013	63,650	95,505	41,060

Customers are normally given a credit period of 90 days.

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
The ageing analysis of accounts receivable is as follows:				
Amount not yet due	53,258	28,162	48,523	20,079
Overdue by less than one year	6,997	2,072	2,733	1,696
Overdue by over one year	6,624	3,081	136	20
Overdue by over two years	1,284	2,978	277	1,980
Overdue by over three years	71	1,500	71	1,500
	68,234	37,793	51,740	25,275

As at the balance sheet date, included in other receivables of the Group and the Company were certain fixed deposits placed with financial institutions in the PRC amounting to approximately Rmb10,000,000 (1999: Rmb10,000,000) and a designated deposit of Rmb1,600,000 (1999: Rmb1,600,000), both of which have already been matured. However, due to internal problems of these institutions, the Company has been unable to uplift these deposits. All of these financial institutions are operating under valid business licences and permits issued by the People's Bank of China to operate as financial institutions.

The directors are taking all reasonable measures to secure the repayment of these deposits and ceased the accrual of interest until it is established that the interest will probably be received by the Company. As at the balance sheet date, a provision of Rmb4,640,000 (1999: Rmb4,640,000) for doubtful recovery of the deposits has been made in respect of the estimated non-recoverable portion of these deposits.

21. DEFERRED VALUE ADDED TAX

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
At 1 January	1,489	6,072	1,489	6,072
Less: Utilised to offset value added tax payable for the year	(1,489)	(4,583)	(1,489)	(4,583)
At 31 December	-	1,489	-	1,489

22. BANK BALANCES AND CASH

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Bank deposits with maturity over 3 months	42,117	70,000	42,117	70,000
Other bank balances and cash	85,303	133,790	73,623	119,003
	127,420	203,790	115,740	189,003

As at the balance sheet date, the Group's bank balances and cash included foreign currency deposits of HK\$38,905,000 (1999: HK\$44,294,000), equivalent to approximately Rmb41,266,000 (1999: Rmb47,178,000).

23. ACCOUNTS PAYABLE

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
An analysis of accounts payable is as below:				
Due within one year	73,626	29,460	58,569	17,700

24. OTHER PAYABLES AND PROVISIONS

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Staff welfare	9,780	7,967	7,888	6,070
Accruals	62	164	-	-
Other payables	38,090	22,619	25,648	15,296
	47,932	30,750	33,536	21,366

25. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

Amounts due to minority shareholders of subsidiaries are unsecured, interest free and have no predetermined terms of repayment.

26. PROVISION FOR TAXES AND LEVIES

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Value added tax	1,258	4,685	-	3,171
Urban maintenance and construction tax	171	371	166	298
Sales tax	50	82	45	76
Property tax	456	456	456	456
Income and profits tax	2,462	5,900	2,462	6,078
Land tax	61	61	61	61
Other taxes	19	-	-	-
	4,477	11,555	3,190	10,140

27. OPTION PAYMENTS RECEIVED

As stated in note 18, the option payments received represent payments made by the vendor to the Company according to the agreed terms and schedules of the Sale and Purchase Promissory Agreements.

28. SHARE CAPITAL

	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>
Registered, issued and fully paid:		
300,000,000 ordinary A Shares of Rmb1 each	300,000	300,000
100,000,000 ordinary H Shares of Rmb1 each	100,000	100,000
	400,000	400,000

There were no movements in share capital for both years.

29. RESERVES

			Statutory	Statutory	public	Discretionary	Retained	
	Share	Capital	surplus	welfare	surplus	profits	Total	
	premium	reserve	reserve	fund	reserve			
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	
THE GROUP								
At 1 January 1999	316,663	13,206	42,432	36,778	42,979	60,121	512,179	
Net profit for the year	-	-	-	-	-	50,200	50,200	
Appropriations	-	-	1,973	1,973	-	(3,946)	-	
Interim dividend paid	-	-	-	-	-	(10,000)	(10,000)	
Proposed final dividend	-	-	-	-	-	(22,000)	(22,000)	
At 31 December 1999	316,663	13,206	44,405	38,751	42,979	74,375	530,379	
Net profit for the year	-	-	-	-	-	50,831	50,831	
Appropriations	-	-	1,099	1,099	-	(2,198)	-	
Proposed final dividend	-	-	-	-	-	(40,000)	(40,000)	
At 31 December 2000	316,663	13,206	45,504	39,850	42,979	83,008	541,210	

THE COMPANY

At 1 January 1999	316,663	12,779	42,388	36,734	42,979	65,490	517,033
Net profit for the year	-	-	-	-	-	54,163	54,163
Appropriations	-	-	1,973	1,973	-	(3,946)	-
Interim dividend paid	-	-	-	-	-	(10,000)	(10,000)
Proposed final dividend	-	-	-	-	-	(22,000)	(22,000)
At 31 December 1999	316,663	12,779	44,361	38,707	42,979	83,707	539,196
Net profit for the year	-	-	-	-	-	55,080	55,080
Appropriations	-	-	1,093	1,093	-	(2,186)	-
Proposed final dividend	-	-	-	-	-	(40,000)	(40,000)
At 31 December 2000	316,663	12,779	45,454	39,800	42,979	96,601	554,276

	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>
(a) Profits (losses)		
retained by		
The Company	96,601	83,707
Subsidiaries	(13,593)	(9,332)
	83,008	74,375
(b) Share premium represents the excess of proceeds received on issue of new shares over the par value of registered share capital net of share issuing expenses.		
(c) The excess of the net assets contributed by BGC over the par value of shares issued thereto at the date of establishment is credited to the capital reserve.		
(d) According to relevant laws and regulations of the PRC, a company is required to make an appropriation at the rate of 10 per cent of the net profit for the year of the company, prepared in accordance with PRC accounting standards, to the statutory surplus reserve account until the accumulated balance has reached 50 per cent of the registered capital of the company. During the year, the Company is required to reverse the previous years' appropriations to the prior year's retained profits in accordance with the provisions of the PRC accounting standards to the extent of Rmb4,068,000. This amount has been deducted from the current year's appropriation.		

- (e) The share premium, capital reserve and statutory surplus reserve are non-distributable to shareholders other than when the Company is in liquidation.
- (f)
 - (i) According to the PRC relevant laws and regulations, a company is required to make an appropriation at the rate of 5 to 10 per cent of the net profit for the year of the company, prepared in accordance with PRC accounting standards, to the statutory public welfare fund account ("PWF"). The PWF will be utilised on capital items for employees' collective welfare, and unutilised PWF must be kept in cash.
 - (ii) The appropriation to the 2000 PWF is made at 10% (1999: 10%). During the year, the Company is required to reverse the previous years' appropriations to the prior year's retained profits in accordance with the provisions of the PRC accounting standards to the extent of Rmb4,068,000. This amount has been deducted from the current year's appropriation.
 - (iii) As at 31 December 2000, the Company's unutilised PWF was Rmb39,800,000 (1999: Rmb38,707,000).
 - (iv) Unutilised PWF are retained in the Company's bank accounts.
- (g) In accordance with the Company's Articles of Association, the Company may appropriate funds to the discretionary surplus reserve after it discharges its obligations on the statutory reserves.
- (h) According to the Company's Articles of Association and the relevant laws and regulations of the PRC, the amount of reserve distributable to shareholders is based on the total of the Company's discretionary surplus reserve and retained profits, prepared under the PRC accounting standards and prepared under Hong Kong accounting standards, whichever is lower. As at 31 December 2000, the amount distributable to the Company's shareholders is Rmb139,580,000 (1999: Rmb126,686,000).

30. DEFERRED TAXATION

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will

be utilised in the foreseeable future.

At the balance sheet date, the major components of the net unprovided deferred tax asset (liability) were as follows:

	THE GROUP AND THE COMPANY	
	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>
Tax effect of timing differences because of:		
Provision for bad and doubtful debts	2,809	2,495
Provision for slow-moving inventories	2,104	3,144
Other timing differences	(120)	(120)
	4,793	5,519

The amount of the unprovided deferred tax credit (charge) for the year is as follows:

	THE GROUP AND THE COMPANY	
	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>
Tax effect of timing differences because of:		
Provision for bad and doubtful debts	314	1,186
Provision for slow-moving inventories	(1,040)	-
Other timing differences	-	(37)
	(726)	1,149

31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to net cash inflow from operating activities:

	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>
Profit before tax	57,474	61,578
Interest income	(4,504)	(5,928)

Interest expense	2,515	2,615
Depreciation	32,342	31,826
Loss on disposal of property, plant and equipment	3,247	379
Amortisation of intangible assets	627	679
Amortisation of deferred staff accommodation expense	2,075	-
Deferred staff quarters expense paid	(820)	-
Exchange difference	78	-
Increase in inventories	(58,408)	(7,849)
Increase in accounts receivable, prepayments and other receivables	(23,090)	(23,187)
Decrease in deferred value added tax	1,489	4,583
Increase (decrease) in accounts payable	16,236	(498)
(Decrease) increase in other payables and provisions	(3,948)	299
(Decrease) increase in amounts due to minority shareholders of subsidiaries	(5,047)	1,598
Increase in sales deposits received	23,265	3,341
Increase in provision for taxation and levies	1,211	1,258
NET CASH INFLOW FROM OPERATING ACTIVITIES	44,742	70,694

(b) Acquisition of a business

During the year, the Group acquired assets and liabilities of a business from BGC at a consideration of Rmb181,419,000, details of which are set out in a circular dated 30 September 2000 despatched to shareholders. There is no goodwill arising from the acquisition. A total amount of Rmb54,665,000 has been paid as at 31 December 2000. Net cash outflow amounted to Rmb50,251,000.

(c) Analysis of changes in financing during the year:

	Minority interests <i>Rmb'000</i>	Long term bank loans <i>Rmb'000</i>	Short term bank loans <i>Rmb'000</i>
At 1 January 1999	28,236	3,000	41,220
New loans raised during the year	-	-	11,280
Repayment during the year	-	(3,000)	(36,720)

Loss attributable to minority shareholders	(1,885)	-	-
At 31 December 1999 and 1 January 2000	26,351	-	15,780
New loans raised during the year	-	-	5,220
Loss attributable to minority shareholders	(2,004)	-	-
At 31 December 2000	24,347	-	21,000

(d) Analysis of the balances of cash and cash equivalents:

	2000 Rmb'000	1999 <i>Rmb'000</i>
Bank balances and cash	85,303	133,790

32. RELATED PARTY TRANSACTIONS

During the year, the transactions between the Group and related parties are as follows:

	NOTE	Beijing Yan Long Import and Export Company (a subsidiary of BGC)		BGC (ultimate holding company)	
		2000	1999	2000	1999
		<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Sales transacted on behalf of the Company	(a)	393	1,763	353,773	397,326
Sale of materials	(e)	-	-	2,795	4,062
Sale commission paid	(a)/(b)	12	53	9,122	9,920
Payment for land use right	(b)	-	-	2,000	2,000
Trademark fee paid	(c)	-	-	3,707	3,913
Pension expenses paid	(d)	-	-	-	4,097
Purchase of materials	(e)	-	-	14,916	7,156
Medical expenses paid	(f)	-	-	-	1,249
Repair and maintenance					

fee paid	(g)	-	-	63	63
Acquisition of a business	(h)	-	-	181,419	-

Note:

- (a) By an agreement dated 14 July 1993, BGC agreed to be the sole sales agent for the Company's products in the PRC at a fee equal to three per cent of the domestic sales in the PRC of the Company's products.

By an agreement dated 14 July 1993, Beijing Yan Long Import & Export Company, a subsidiary of BGC, agreed to provide to the Company export sales, marketing and after sales services for the Company's products at a fee equal to three per cent of the annual export turnover of products marketed by Beijing Yan Long Import & Export Company.

- (b) By an agreement dated 18 June 1994, BGC agreed to grant to the Company the right to use the factory area, roads and relevant facilities for a term of 50 years at a fee of Rmb2,000,000 per annum with the term calculated from 1 January 1993. BGC also agreed to deduct this fee from the sole agent fee as mentioned in note 32(a). If the annual sole agent fee receivable by BGC is less than Rmb2,000,000, BGC agreed to refund the amount equal to the excess of Rmb2,000,000 over the sole agent fee to the Company.
- (c) By an agreement dated 14 July 1993, BGC agreed to grant to the Company the right to use the "Beiren" trademark for its products at a fee payable quarterly of Rmb15,000 or at the rate of one per cent of the sale proceeds from products using the "Beiren" trademark during that relevant period, whichever is the higher.
- (d) By an agreement dated 14 July 1993, the Company agreed to pay to BGC a sum equal to the Company's contribution in respect of the retirement fund organised by the State and BGC will aggregate the same with its own contribution for its own staff and submit the aggregated sum to the State retirement fund. With effect from July 1999, this agreement has been cancelled.
- (e) By an agreement dated 14 July 1993, BGC and the Company agreed to sell to each other raw materials at original purchase prices and the Company further agreed to sell to BGC processed parts at a price equal to 115 per cent of its production cost.

- (f) All medical services for staff and workers of the Group are provided by BGC. Medical expenses incurred are calculated at cost and are charged to the Company on a regular basis. With effect from 1 January 2000, the Group reimbursed the medical expenses to the staff and workers direct.
- (g) All the repair and maintenance work of the Group is centrally co-ordinated by BGC and is carried out by independent third party repair and maintenance companies. BGC receives a service fee which is equal to 13 per cent of the repair and maintenance fee paid to the independent third party.
- (h) During the year, the Group acquired all assets and liabilities of a business from BGC at a consideration of Rmb181,419,000, which was determined on basis of a valuation report prepared by an independent firm of professional valuers. The acquisition was approved at an extraordinary general meeting of the shareholders on 15 November 2000.

33. RETIREMENT PLAN

According to the relevant laws and regulations of the PRC, the Group has to pay a sum equal to 19 per cent (1999: 19 per cent) of the total wages and salaries to the State, being the Group's contribution in respect of the statutory retirement fund in satisfaction of the Group's obligations to PRC employees' retirement benefits. Total expenses for 2000 amounted to Rmb9,202,000 (1999: Rmb8,366,000). Except for the above, the Group has no other obligations and commitments in respect of retirement benefits.

34. CONTINGENT LIABILITIES

As at 31 December 2000, the Group and the Company had no outstanding contingent liabilities (1999: Nil).

35. CAPITAL COMMITMENTS

As at 31 December 2000, the Group and the Company had the following capital commitments:

THE GROUP		THE COMPANY	
2000	1999	2000	1999
<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>

Contracted but not provided for purchase of property, plant and equipment	73,460	5,569	73,460	5,569
Authorised but not contracted for relocation and technological improvement of casting factory	-	26,000	-	26,000
	73,460	31,569	73,460	31,569

36. LEASE COMMITMENTS

As at 31 December 2000, the Group and the Company had the following commitments in respect of operating lease for office, warehouse and factory to make payments in the next year as follows:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Expiring				
within one year	-	48	-	48
in the second to				
fifth years inclusive	122	122	60	60
over five years	865	895	325	325
	987	1,065	385	433

37. POST BALANCE SHEET EVENT

In February 2001, the Directors of the Company approved a plan on capital expenditure including technical reconstruction to the extent of Rmb22,669,000.

38. PARTICULARS OF SUBSIDIARIES

Name	Place and nature of establishment/ incorporation	% of equity interest held		Registered or issued share capital	Principal place of operation	Principal activities
		Directly	Indirectly			

Beiren Tai He Printing and Casting Factory	PRC - Co-operative joint venture	62.5 (note)	-	Rmb4,000,000	PRC	Manufacture of casting parts for printing machines
Sheenlite Limited	Hong Kong Limited liability company	100	-	HK\$3	Hong Kong	Provision of Hong Kong representative office and asset custodial service to the Group
Hebei Beiren Gei Zhi Ji Chang	PRC - Joint venture limited by shares	50.68	-	Rmb4,802,600	PRC	Manufacture of paper feeder machines
Beijing Beiren Fuji Printing Machinery Company Limited	PRC - Sino-foreign equity joint venture enterprise	70	-	US\$5,100,000	PRC	Manufacture of form printing machines
Haimen Beiren Printing Machinery Company Limited	PRC - Limited liability company	51.2	-	Rmb29,000,000	PRC	Manufacture of printing machines
Beijing Beiren Jing Yan Printing Machinery Factory	PRC - Joint venture limited by shares	98.8	-	Rmb4,050,000	PRC	Manufacture of accessories for printing machines
Beijing Beiren Printing Machinery Transportation Company	PRC - Co-operative joint venture	100	-	Rmb3,150,000	PRC	Transportation business

Beijing Beiren Motor Vehicle Repair and Maintenance Centre	PRC - Co-operative joint venture	-	100	Rmb200,000	PRC	Repair and maintenance of motor vehicles
Beijing Beiren Printing Machinery Accessories Factory	PRC - Co-operative joint venture	94.65	-	Rmb2,000,000	PRC	Manufacture of parts and components for printing machines

Note: According to the joint venture agreement on Beiren Tai He Printing and Casting Factory, the Group's share of profit or loss is 70%.

39. THE EFFECT ON THE FINANCIAL STATEMENTS ARISING FROM THE DIFFERENCES BETWEEN PRC ACCOUNTING STANDARDS AND HONG KONG ACCOUNTING STANDARDS

	Net profit for 2000 Rmb'000	Net profit for 1999 Rmb'000	Net assets as at 31.12.2000 Rmb'000	Net assets as at 31.12.1999 Rmb'000
As reported under PRC accounting standards	51,423	48,848	974,627	1,003,886
Adjustments made to conform with Hong Kong accounting standards:				
- difference in valuation of net assets contributed to the Company by BGC	-	-	(60,198)	(60,198)
- consequential adjustment on net assets contributed by BGC	1,212	1,212	9,090	7,878
- difference in valuation of capital contribution to subsidiaries	27	31	(1,742)	(1,594)
- receipt of option payments recognized as income under PRC accounting standards	-	-	(20,117)	(20,117)

- difference in recognition of staff accommodation expense	(1,255)	-	39,428	-
- others	(576)	109	122	524
As reported under Hong Kong accounting standards	50,831	50,200	941,210	930,379