

## **IV. Business Review and Prospect**

### **(1) Major Operations of the Company in the Reporting Period:**

The Company is engaged in the development, design, manufacturing and sale of printing machines, pressing machines, packing machines, components of such machines; provisions of technology consultancy and technical support services; export of products and technologies of the Company and group companies; import of raw materials, equipment, meters, machinery spare parts and technologies (excluding products and operation which are restricted by the States and items which are prohibited to be imported or exported by the State) required for the production work of the Company and group companies; and material processing and "San Lai Yi Bu" business.

The overall performance of the Company was improved in the first half of the year. The earnings level was back on the rising trend as a result of the recovery of the economy and digestion of certain adverse factors. There was significant growth in certain indices which had remained stagnant over the past few years. Revenues from principal operations rose 66.87% over the same period of last year to Rmb352.03 million. Net profit under the PRC Accounting Standards was approximately Rmb32.355 million, representing an increase of 54.27% over the same period of last year. These outstanding results were mainly attributable to the acquisition of quality assets last year, thereby enhancing the Company's competitiveness. Consequently, the promise made by the Company in the previous year to add values to shareholders was realized.

1. In the first half of the year, the Company set up its own sales network, strengthened its after-sales services, and attained the integration of its sale mechanism. All these resulted in the increase in the turnover of major products. The sales of single-colour press registered a record growth in recent years. Similarly, the sales of four-colour press was on a continual rising trend. In respect of the new web-fed offset press, a steady growth was also recorded. All these exhibited the breakthrough in the sales concept in the market, which in turn translated into the remarkable improvement in revenues.
2. Proper control of expenditure was achieved. As the Company exercised stringent control over the process from the formulation of plans up to the monitor of their implementation, a reduction in expenditure was thereby resulted.
3. In May of this year, the Company successfully participated in the Seventh World Press Conference and Fifth Beijing International Press Technology Exhibition, both held in Beijing at the same time. The Company exhibited a total of some 20 advanced symbolized presses selected from the product series of the Company. In particular, BeiRen 104, YP4787 Da Ta Printing Press, Semi-commercial Printer aroused the great interest of participants who subsequently entered into contracts of purchase intent. The participation in the events once again proved the strength, scale and technological level of Beiren, and once again confirmed the leadership of Beiren in the printing industry in the State.
4. Advancement in technologies, enhancement of product quality and adjustment to

management policy

- (1) In the first half of the year, the Company embarked on the research of numerous new products. It worked closely with a note-making research institute. Two sets of note-making machines were completed and were delivered for undergoing the testing stage. The Company cooperated with a well-known international firm on the system design of N375 new four-colour press. The product adopts a new water system and remote colour numerical control system which resulted in the improvement of its overall design and productivity. On the other hand, N373 whole-sheet double-colour press and N374 whole-sheet feeder filled the vacuum that had previously existed in that product series. In addition, the Company worked out a complete solution for ink homogenization of single-colour press and a new single-colour machine design. The application of new product technologies on existing products enabled the designs of ink lining, roller-supported clutching system and collector of single-colour press to remain in the forefront among similar products. The study on the pivotless delivery system design for YP4787 Da Ta web-fed printing press and semi-commercial roller printer was completed.
- (2) Technological improvement is the key to the completion of product design, productivity enhancement and product cost control. The technological control mechanism was fine tuned in the first half of the year, thereby streamlining the work flow. A solid foundation was laid down in the implementation of new technologies.
5. The MRP II system deriving from the Company's CIMS project was officially implemented at its branch company for single-colour press on 13 April. It recorded a breakthrough in the mode of production management. Implementation of the MRP II system has fostered the progress in production management, cost control, work hours control and technological management, thus generating actual benefits for the Company.
6. Reform of remuneration system and improvement of incentive scheme

In the first half of the year, a new performance-pegged salary system was implemented on a trial basis at the finance department, international cooperation department, technical support centre, technological research department and after-sales department. The aim of which was to bring the salaries of some staff members to market level, realizing the value of human resources. As a result, the competent core members of staffs with sound technical and academic background would be stabilised. The Company was thus able to streamline its personnel system and introduce talents to key posts in accordance with our needs.

- (2) Investment of funds which were not raised by the issue of H Shares and A Shares of the Company

In the reporting period, the Company invested Rmb35,595,929 of its funds, which were not raised by the issue of H Shares and A Shares of the Company. Aggregate investment as at reporting period end was Rmb36,595,929, which was used for the purchase of a piece of land for new factory in Beijing Yizhuang Economic Technology Development Zone at a consideration of Rmb73,060,335. The Company still needs to pay Rmb36,464,406 in the

latter half of the year.

(3) Financial Status of the Company:

Comparison of major accounting data and financial indices (prepared under PRC Accounting Standards) (Unit: Rmb)

(1)	Items	30/6/2001	31/12/2000	Increase Decrease(%)	Reasons for change
	Total assets	1,460,557,745.63	1,317,293,239.41	10.88	Increase in fixed assets and accounts receivables
	Receivables	187,137,451.44	98,759,731.14	89.49	Payment by installement has been adopted for the new products in developing markets and increase in revenues from principal operations (resulted from sales stratety)
	Inventories	467,391,225.43	480,019,240.06	(2.63 )	Decrease in finished products
	Long term investment	24,513,800.00	32,847,000.00	(25.37 )	Decrease in long-term investment book values attributable to provisions for diminution in value
	Fixed assets	527,820,414.22	475,480,878.32	11.01	Increase in technological improvements and purchase of land use right of Yizhuang Economic Technology Development Zone
	Shareholders' equity	967,199,444.62	934,844,489.30	3.46	Profits realized in the reporting period
(2)	Items	Jan-June, 2001	Jan-June, 2000	Increase Decrease(%)	Reasons for change
	Profit from principal operations	91,834,925.97	68,054,894.97	34.94	Increase in turnover in the reporting period
	Net profit	32,355,173.63	20,972,947.86	54.27	Increase in sales and decrease in administrative management expenses

#### **(4) PLAN FOR LATTER HALF OF THE YEAR**

2001 is the critical year for the implementation of the Company's development strategy. Following the announcement by the government of its policies, the Company will actively undertake different tasks after taking into account the market situation and its pre-set objectives.

1. To continue to reinforce the strengths of the Company, cope with the challenges brought by China's accession to the WTO, continue to strengthen technological development and reform, utilize the advantage of the Company's sophisticated production technologies, focus on the multi-colour high-end series, and lead customers to a new generation.
2. To further improve the marketing network, accelerate network establishment, set up spare parts delivery centres, establish a customer complaint mechanism, strengthen the training to customers, set up a customer training centre in the year; strengthen market control and management, formulate a macro-control mechanism and micro-sales management plan, and set up an efficient performance-oriented sales management mechanism.
3. To strengthen the establishment of a quality management team, strengthen the check and monitor mechanism, implement system management, and set up a total quality management system for the whole Company.
4. To set up a highly efficient and effective management mechanism with well-defined responsibilities to cope with market competition, to act in accordance with the principle of market economy and of value, perform scientific, quantified and subtle assessments, and determine one's salary based on post, responsibilities and performance; to mobilise all staff in an effort to set up more quickly a new mechanism under which competition is the key to get access to a post, results are the key to the promotion of the management and contribution is the key to the determination of one's salary, and to lay down a necessary foundation for the sustainable fast development of the Company.
5. To adopt a well-defined business development strategy for guidance purpose, address market needs directly, actively explore international cooperation opportunities, and set up long-term partnership relations.
6. To devote every effort on the preparation work for the new factory project in Beijing economic technology development zone; to actively support the success of Beijing in its bid for the 2008 Olympic Game and devote every effort on its removal work so as to accompany the overall plan of the Beijing Municipal Government, to ensure realization of the plan to move out of the central trading zone for Beijing economic technology development zone.
7. To continue to undertake the work in relation to issue of new A Shares as scheduled in an effort to solve the imminent problem in expansion of production capacity, to guarantee that the demand for high-end printing machines is met and the Company's

development strategy is successfully implemented.