

V. Material Events:

- (1) Proposed profit distribution and increase in the share capital by converting from surplus reserve

There was no interim dividend to be distributed, and no surplus reserve will be transferred to increase share capital of the Company.

- (2) Profit distribution in previous year, increase in the share capital by converting from surplus reserve, placement in the reporting period

In 2000, the Company achieved a net profit of Rmb51,423,260.71. Distributable profit was Rmb97,114,642.58. Rmb5,167,467.18, being 10% of the net profit, was withdrawn for the statutory surplus reserve fund, and Rmb5,167,467.18, being 10% of the net profit, was withdrawn for the statutory public welfare reserve. On the basis of the total share capital of 400,000,000 shares as at the end of 2000, a cash dividend of Rmb1.00 (pre-tax) per 10 shares was distributed to all shareholders, with total dividend amounting to Rmb40,000,000. An announcement about the dividend distribution for H Shares was published at Shanghai Securities Daily, Wen Wei Po (Hong Kong) and Hong Kong iMail on 17 May 2001. Another announcement about the distribution of the dividend for A Shares was published at Shanghai Securities Daily on 28 July 2001. The record date for dividend was 4 July 2001. The ex dividend date was 5 July 2001. The dividend was distributed on 12 July 2001.

- (3) The Company was not engaged in any material litigation or arbitration in the reporting period.
- (4) There was no acquisition, merger or assets reorganisation by the Company in the reporting period.
- (5) Significant transactions with related parties during the reporting period

1. Related parties with controlling relationship

Name of related parties	Relationship	Registered address	Nature of establishment	Legal representative	Principal activities
Beiren Group Corporation	Holding company	Chaoyang District, Beijing	State-owned company	Zhu Wuan	Manufacturing and sale of printing machines, packing machines, machine tools and related products and spare parts

2. Details and changes in the shareholdings in the Company by related parties with controlling relationship

Name of related parties	Beginning and end of reporting period	Percentage
Beiren Group Corporation	250 million	62.5%

3. Related parties with no controlling relationship

Name of related parties	Relationships with the Company
Beijing Yan Long Import and Export Company	Fellow subsidiary

4. Significant transactions with the above related parties during the reporting period

Sales and purchases

For the period from January to June 2001:

Item	Beijing Yan Long Import and Export Company <i>Rmb</i>	Beiren Group Corporation <i>Rmb</i>	Total <i>Rmb</i>
Revenue from sales transactions	1,132,478.63	283,570,513.16	284,702,991.79
Revenue from sale of materials	-	2,812,652.87	2,812,652.87
Sale commission paid	33,974.36	8,356,961.50	8,390,935.86
Fees for land use right	-	1,000,000.00	1,000,000.00
Trademark fee paid	-	2,893,960.68	2,893,960.68
Purchase of materials	5,873,561.07	2,891,645.68	8,765,206.75
Rental paid	-	25,200.00	25,200.00

5. Receivables, payables and amount accounts

Items	Name of related parties	End of reporting period (<i>Rmb</i>)	beginning of reporting period (<i>Rmb</i>)
Account receivables	Beiren Group Corporation (note)	79,751,190.28	43,888,557.96
	Beijing Yan Long Import and Export Company (note)	715,000.00	655,100.00
	Total	80,466,190.28	44,543,657.96
Other receivables	Beiren Group Corporation	1,432,984.33	-
Pre payments	Beijing Yan Long Import and Export Company	100,000.00	2,082,280.00
Account payables	Beiren Group Corporation	2,601,392.78	-
	Beijing Yan Long Import and Export Company	-	-

	Total	2,601,392.78	-
Other payables	Beiren Group Corporation	110,520,983.00	126,754,049.26
	Beijing Yan Long Import and Export Company	355,999.98	-
	Total	110,876,982.98	126,754,049.26

Note: revenues from sales transactions.

The above transactions with related parties were of on-going nature. They have been implemented within the committed scope of business since the listing of the Company.

- (6) "Three Disconnections" of the Company from its controlling shareholders in terms of staff, assets and finance:
1. Independence of Personnel: The Company has implemented an independent management system in respect of labour, personnel and salary management. The General Manager, Deputy General Manager and other members of the senior management do not assume any post at the holding company, nor do they receive any remuneration from it.
 2. Completeness of Assets: The Company owns independent production systems, auxiliary production systems and accessories.
 3. Independence of Finance: The Company has an independent finance department. It set up its own accounting system and financial control system. The Company also opens its own bank account.
- (7) In the reporting period, the Company did not create trust in, contract for or lease of any assets from other companies or vice versa.
- (8) In the reporting period, the Company continued to appoint Deloitte Touche Tohmatsu, Hong Kong CPA and Deloitte Touche Tohmatsu, Shanghai CPA.
- (9) In the reporting period, the Company did not enter into any fund management agreement.
- (10) In the reporting period, the Company did not provide guarantee for any third party.
- (11) In the reporting period, the Company did not change its company name or stock abbreviation.
- (12) No undertaking of the Company or its shareholders with 5% or more in shareholding was disclosed at designated newspapers or website in the reporting period.
- (13) Other material events
1. The proposal of the Directors relating to the issue of A Shares was published at

Shanghai Securities Daily, Wen Wei Po (Hong Kong) and Hong Kong iMail on 2 April 2001. The notice of the 2000 Annual General Meeting was published on the same occasion.

2. The announcement relating to the resolutions and the special resolution in respect of issue of A Shares passed in the Annual General Meeting was published at Shanghai Securities Daily, Wen Wei Po (Hong Kong) and Hong Kong iMail on 17 May 2001.
3. A circular relating to the proposed issue of A Shares was despatched to holders of H Shares on 12 April 2001
4. There was no purchase, disposal, redemption or cancellation by the Company of its listed shares in the reporting period.
5. The Company has not received any notice from the Tax Bureau in respect of any change of income tax rate. The Company will continue to be subject to an income tax rate of 15%. The Company has never paid any tax which is to be rebated afterwards.
6. Deposits and loans

As at 30 June 2001, the Company had three deposits with financial institutions amounting to Rmb11,600,000 which were matured but the Company was not able to uplift. These three deposits were accounted for as other receivables.

The first deposit of Rmb5,000,000 was placed with China Venturetech Investment Company which is being liquidated. The method on repayment of debts has not yet been announced.

The second deposit of Rmb5,000,000 was placed with Yin Peng Cooperative Credit Union, Bai Yin, Gansu Province. The deposit had not been uplifted as at the date of this report. Owing to liquidity shortage of the bank, it was agreed after series of negotiations that properties of the same value be transferred as security. The transfer process is being processed.

The third deposit of Rmb2,000,000 was placed with Jiu Long Shan Office of the Industrial and Commercial Bank Beijing Trust and Investment Company for on lent to Da You Environmental Engineering Company. The Company has received a payment of Rmb400,000 and is actively negotiating with the bank in respect of the repayment of the outstanding Rmb1,600,000.

The Company has made a provision of Rmb4,640,000 in both its PRC and Hong Kong financial statements. The three deposits represent approximately 0.7% of the Company's net assets and will cause no material effect to the liquidity and operations of the Company.

7. On 1 January 2001, the Company started to implement the new accounting system and its supplementary requirements announced by the Ministry of Finance of the PRC. In respect of PRC financial statements, the provisions for diminution in value of construction in progress, fixed assets and intangible assets are accounted for as adjustments to figures at the beginning of 2001. As far as Hong Kong financial

statements are concerned, there is no change in the accounting standards in this respect. Adjustments have to be made to the profit for the period. Consequently, the net profit in PRC financial statements is Rmb32,355,000 and the net loss in Hong Kong financial statements is Rmb4,265,000. The profit is calculated up to the reporting period only. The results of the Company in Hong Kong financial statements for the whole year still looks good.

8. In respect of the Company's acquisition of No. 4 Printing Machinery Plant of Beiren Group Corporation, the transfer of the operations licence, land use right and property to the Company has all been completed.
9. In order to gradually reduce connected transactions, the Company entered into an undertaking with the holding company for the gradual reduction of connected transactions. The Company plans to establish an independent domestic sales mechanism within 3 years in order to gradually reduce the connected transactions arising out of the performance of sales transactions by the holding company on the Company's behalf.