

## VI. Financial Report

Financial Report Prepared in Accordance with the PRC Accounting Standards

### (1) AUDITORS' REPORT

De Shi (Jing) Shen Bao Zi (01) No. 217

To shareholders of Beiren Printing Machinery Holdings Limited,

We were engaged to audit the Group's and the Company's balance sheets as of 30 June 2001 and the Group's and the Company's profit and loss accounts and profits distribution and cash flow statements from January to June 2001. These financial statements are the responsibility of the Company. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Independent Auditing Standards for Chinese Certified Public Accountants. Our audit included such test of the accounting records and such other auditing procedures as we considered necessary in the practical circumstances of the Company.

In our opinion, such financial statements are prepared in conformity with "Accounting Standards for Business Enterprises" and "Accounting Regulations for Business Enterprises" and, in all material respects, present fairly the financial position of the Company as at 30 June 2001 and the results of its operations and cash flow from January to June 2001. The accounting policies adopted follow the consistency principle.

Deloitte Touche Tohmatsu Shanghai CPA

Chinese Certified Public Accountants

Cui Jing Jing Yiqing

Shanghai, China

17 August 2001

### BALANCE SHEETS AS AT 30 JUNE 2001

*Unit: Rmb*

Assets	Notes	The Group Closing balance	The Group Opening balance	The Company Closing balance	The Company Opening balance
Current assets					
Cash and bank balances	6	160,581,936.55	127,419,782.68	150,304,984.31	115,739,622.46
Bill receivables		-	385,000.00	-	-
Account receivables	7	154,725,057.49	77,571,621.48	138,639,168.02	69,599,192.73
Other receivables	8	32,412,393.95	21,188,109.66	75,493,906.58	67,850,411.04
Prepayments	9	11,680,656.19	17,000,317.14	9,936,335.75	14,055,875.00

Inventories	10	467,391,225.43	480,019,240.06	380,186,007.50	409,414,686.54
Deferred expenses	11	1,106,952.19	187,534.53	217,471.43	34,942.87
Disposal of current assets clearance	12	-	199,310.66	-	-
Total current assets		827,898,221.80	723,970,916.21	754,777,873.59	676,694,730.64
Long term investments					
Long term share investments	13	-	-	43,282,560.20	46,740,232.69
Long term investment in debts	13	24,513,800.00	32,847,000.00	24,513,800.00	32,847,000.00
Total long term investments		24,513,800.00	32,847,000.00	67,796,360.20	79,587,232.69
Fixed assets					
Fixed assets, at cost	14	817,138,244.98	798,905,514.60	733,083,613.20	712,856,101.67
less: accumulated depreciation	14	345,827,307.63	331,485,439.92	320,558,751.07	308,285,224.58
Fixed assets, net		471,310,937.35	467,420,074.68	412,524,862.13	404,570,877.09
Less: provision for diminution in value of fixed asset	14	31,689,714.46	31,689,714.46	31,689,714.46	31,689,714.46
Fixed assets, net book value		439,621,222.89	435,730,360.22	380,835,147.67	372,881,162.63
Construction in progress	15	88,066,073.79	38,575,218.28	86,015,418.92	38,482,898.09
Disposal of fixed assets clearance		133,117.54	1,175,299.82	-	-
Total fixed assets		527,820,414.22	475,480,878.32	466,850,566.59	411,364,060.72
Intangible assets and other assets					
Intangible assets	16	27,882,175.51	31,857,484.83	20,275,200.00	20,480,000.00
Long term deferred expenses	17	52,443,134.10	53,136,960.05	51,108,000.00	51,108,000.00
Total intangible assets and other assets		80,325,309.61	84,994,444.88	71,383,200.00	71,588,000.00
Total assets		1,460,557,745.63	1,317,293,239.41	1,360,808,000.38	1,239,234,024.05
Current liabilities					
Short term loans	18	144,000,000.00	21,000,000.00	120,000,000.00	5,000,000.00
Accounts payable	19	85,728,380.03	81,255,201.62	55,873,370.97	58,343,131.11
Receipts in advance	20	32,319,539.01	37,302,905.79	29,917,147.28	31,136,839.20
Wages payable		9,342,937.08	18,157,125.31	7,377,856.73	16,453,560.10
Staff welfare		9,918,191.19	10,153,866.04	7,689,337.27	7,888,313.90
Dividends payable	21	30,000,000.00	40,000,000.00	30,000,000.00	40,000,000.00
Taxes payable	22	18,161,343.01	(4,135,220.21)	16,569,525.25	(4,744,163.69)
Sundry payables		331,611.87	86,901.78	287,524.61	71,102.96
Other payables	23	136,129,194.70	153,349,642.29	124,360,759.59	149,633,491.14
Accruals	24	2,351,608.61	59,335.75	1,210,202.93	-

Total current liabilities		468,282,805.50	357,229,758.37	393,285,724.63	303,782,274.72
Deferred tax					
Deferred tax credit balance	25	242,941.38	242,941.38	242,941.38	242,941.38
Total liabilities		468,525,746.88	357,472,699.75	393,528,666.01	304,025,216.10
Minority interests		24,832,554.13	24,976,050.36	-	-
Shareholders' equity					
Share capital	26	400,000,000.00	400,000,000.00	400,000,000.00	400,000,000.00
Capital reserve	27	399,511,301.04	399,511,301.04	399,511,301.04	399,511,301.04
Surplus reserve	28	126,791,365.27	120,377,259.99	126,690,968.25	120,276,862.97
Including: statutory public welfare fund	28	39,079,653.26	35,872,600.62	39,029,454.75	35,822,402.11
Retained profits	29	40,894,877.04	14,953,808.69	41,077,065.08	15,420,643.94
Exchange reserve		1,901.27	2,119.58	-	-
Total shareholders' equity		967,199,444.62	934,844,489.30	967,279,334.37	935,208,807.95
Total liabilities and shareholders' equity		1,460,557,745.63	1,317,293,239.41	1,360,808,000.38	1,239,234,024.05

## PROFIT AND LOSS ACCOUNTS AND PROFITS DISTRIBUTION FOR THE PERIOD ENDED 30 JUNE 2001

*Unit: Rmb*

Item	Note	The Group six months ended 30.6.2001 (Accumulated)	The Group year ended 31.12.2000 (Accumulated)	The Group six months ended 30.6.2000 (Unaudited)	The Company six months ended 30.6.2001 (Accumulated)	The Company year ended 31.12.2000 (Accumulated)	The Company six months ended 30.6.2000 (Unaudited)
1. Income from principal operations	30	352,030,991.45	210,963,867.17	442,056,008.94	322,961,460.55	191,682,254.59	395,675,286.63
Less: cost of principal operations	31	258,447,620.74	141,091,846.82	292,287,598.44	240,290,885.22	129,253,452.43	263,003,393.92
Sales tax and surcharge		1,748,444.74	1,817,125.38	3,022,808.67	1,558,548.63	1,608,324.07	2,655,094.20
2. Profit from principal operations		91,834,925.97	68,054,894.97	146,745,601.83	81,112,026.70	60,820,478.09	130,016,798.51
Add: profit from other operations	32	1,547,700.62	1,248,003.41	1,603,124.02	1,098,781.67	1,381,219.97	1,790,910.82
Less: selling expenses		17,342,219.56	12,270,955.39	24,598,556.97	14,623,495.18	10,191,118.80	20,191,979.39
Administrative expenses		31,280,008.78	33,268,502.40	63,684,407.09	24,170,980.57	27,225,618.08	49,638,155.77
Financial expenses	33	1,309,658.09	(789,013.43)	(1,582,455.56)	1,145,953.51	(1,979,013.00)	(3,764,753.38)
3. Operating profit		43,450,740.16	24,552,454.02	61,648,217.35	42,270,379.11	26,763,974.18	65,742,327.55
Add: investment income (less: loss)	34	(4,241,400.00)	-	-	(3,349,072.49)	(1,658,033.83)	(3,163,041.45)
Non-operating income	35	606,447.83	77,170.90	94,712.05	428,726.53	1,500.00	28,262.53
Less: non-operating expenses	36	1,861,230.92	300,714.09	24,389,796.62	666,627.06	32,421.27	23,557,268.62
4. Total profits		37,954,557.07	24,328,910.83	37,353,132.78	38,683,406.09	25,075,019.08	39,050,280.01
Less: income tax	37	6,612,879.67	4,018,154.71	8,646,937.85	6,612,879.67	4,009,957.94	8,622,116.34

	Add: minority interests		1,013,496.23	662,191.74	1,523,079.11	-	-	-
5.	Net profit for the year		32,355,173.63	20,972,947.86	30,229,274.04	32,070,526.42	21,065,061.14	30,428,163.67
	Add: retained profits brought forward	29	46,779,708.22	45,691,381.87	45,691,381.87	47,246,543.47	45,948,823.19	45,948,823.19
	Prior period adjustments	29	(31,825,899.53)	(14,870,710.20)	(14,870,710.20)	(31,825,899.53)	(14,870,710.20)	(14,870,710.20)
	Retained profit at the beginning of the period/year, restated	29	14,953,808.69	30,820,671.67	30,820,671.67	15,420,643.94	31,078,112.99	31,078,112.99
6.	Total distributable profits		47,308,982.32	51,793,619.53	61,049,945.71	47,491,170.36	52,143,174.13	61,506,276.66
	Less: Transfer to statutory surplus reserve	29	3,207,052.64	2,106,506.12	3,048,068.51	3,207,052.64	2,106,506.12	3,042,816.36
	Transfer to statutory public welfare fund	29	3,207,052.64	2,106,506.12	3,048,068.51	3,207,052.64	2,106,506.12	3,042,816.36
7.	Profits available for distributable to shareholders		40,894,877.04	47,580,607.29	54,953,808.69	41,077,065.08	47,930,161.89	55,420,643.94
	Less: ordinary share dividend payable	29	-	-	40,000,000.00	-	-	40,000,000.00
8.	Retained profits carried forward		40,894,877.04	47,580,607.29	14,953,808.69	41,077,065.08	47,930,161.89	15,420,643.94

## CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2001

*Unit: Rmb*

	Items	Note	The Group	The Company
1.	Cash Flows from Operating Activities			
	Cash received from sale of goods or rendering of services		326,713,239.68	304,242,321.19
	Rental received		-	328,918.00
	Other cash received relating to operating activities		10,898,308.20	6,385,000.12
	Sub-total of cash inflows		337,611,547.88	310,956,239.31
	Cash paid for goods and services		264,508,671.65	251,409,918.29
	Cash paid for operating leases		234,040.70	-
	Cash paid to and on behalf of employees		42,321,464.71	33,623,436.52
	Value added tax on purchases paid		9,505,238.21	7,513,650.15
	Income tax paid		4,157,618.57	3,997,449.27
	Taxes paid other than value added tax and income tax		2,948,767.95	1,997,669.12
	Other cash paid relating to operating activities	38	31,637,838.68	23,771,128.74
	Sub-total of cash outflows		355,313,640.47	322,313,252.09
	Net cash flows from operating activities		(17,702,092.59)	(11,357,012.78)
2.	Cash Flows from Investing Activities			
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		832,028.11	832,028.11
	Other cash received relating to investing activities		-	-

	Sub-total of cash inflows	832,028.11	832,028.11
	Cash paid to acquire fixed assets, intangible assets and other long-term assets	60,545,789.51	57,446,535.98
	Sub-total of cash outflows	60,545,789.51	57,446,535.98
	Net cash flows from investing activities	(59,713,761.40)	(56,614,507.87)
3.	Cash Flows from Financial Activities		
	Proceeds from borrowings	123,000,000.00	115,000,000.00
	Sub-total of cash inflows	123,000,000.00	115,000,000.00
	Cash payments for distribution of dividends or profits	10,000,000.00	10,000,000.00
	Cash payments of interest expenses	3,037,972.86	2,514,495.36
	Sub-total of cash outflows	13,037,972.86	12,514,495.36
	Net cash flows from financial activities	109,962,027.14	102,485,504.64
4.	Effect of Foreign Exchange Rate Changes on Cash	615,980.72	51,377.86
5.	Net Increase in Cash and Cash Equivalents	33,162,153.87	34,565,361.85

## FOR THE PERIOD ENDED 30 JUNE 2001

*Unit: Rmb*

Notes	The Group	The Company
1. Reconciliation of Profit after taxation to Cash Flows from Operating Activities		
Net profit for the period	32,355,173.63	32,070,526.42
Add: Provision for bad debt or bad debt written off	430,512.00	430,512.00
Provision for diminution in value of long-term investments	4,241,400.00	4,241,400.00
Provision for diminution in value of intangible assets	3,480,000.00	-
Depreciation of fixed assets	17,336,570.04	14,671,873.02
Amortisation of intangible assets and other assets	1,189,135.27	204,800.00
Amortisation of deferred expenses (less: increase)	(919,417.66)	(182,528.56)
Increase in accruals	2,292,272.86	1,210,202.93
Loss on disposal of fixed assets and intangible assets	1,549,812.45	373,512.63
Financial expenses	2,421,992.14	2,463,117.50
Investment loss (less: income)	-	3,457,672.49
Minority interests	(1,013,496.23)	-
Decrease in inventories (less: increase)	12,628,014.63	19,802,482.58
Decrease in operating receivables (less: increase)	(83,058,059.35)	(75,883,177.37)

	Increase in operating payables (less: decrease)	(10,636,002.37)	(14,217,406.42)
	Net cash flows from operating activities	(17,702,092.59)	(11,357,012.78)
2.	Net Increase in Cash and Cash Equivalents		
	Cash at the end of the period	160,581,936.55	150,304,984.31
	Less: Cash and bank balances at the beginning of the period	127,419,782.68	115,739,622.46
	Net decrease in cash and cash equivalents	33,162,153.87	34,565,361.85

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY TO JUNE 2001**

### **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 provision of technological consultancy and technical support services related to the major operations.

### **2. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF CONSOLIDATION**

#### **ACCOUNTING SYSTEM**

The Company prepares its financial statements in accordance with "Accounting Standards for Business Enterprises", "Accounting Regulations for Business Enterprises" and the supplementary regulations.

#### **FINANCIAL YEAR**

The Company adopts the calendar year as its financial year i.e. from 1 January to 31 December. The reporting period is from 1 January 2001 to 30 June 2001.

#### **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. Save as the exchange differences arising from the loan for the construction of fixed assets denominated in foreign currency before the anticipated use of the fixed assets which are capitalised to the construction in progress, other exchange differences are dealt with in the profit and loss account as financial expenses.

## **TRANSLATION OF FINANCIAL STATEMENTS DENOMINATED IN FOREIGN CURRENCY**

The respective items of financial statements denominated in foreign currencies are translated using the following exchange rates: 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 period. 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 recognised as unrecoverable.

A debtor who is dead and there is no estate for repayment and no obligatory guarantor. The related account receivable is recognised 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 cost of acquisition. 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 issued.

## **PROVISION FOR DIMINUTION IN VALUE OF INVENTORIES**

At the end of the period, 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 the costs to completion and costs to be incurred in sale in the process of normal operation of the Company.

## **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 period'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 of 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

When owing to continuous decline in market prices or change in the operation of investee company, and 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.

### 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 when they are delivered. 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 and fixture	8	12.125%
Transportation equipment	8	12.125%

Provision for diminution in value of fixed assets represents at the difference of the recoverable amount of the fixed assets lower than its book value at the end of the period.

### Provision for diminution in value of fixed assets

Provision for diminution in value of fixed assets represents the difference of the recoverable amount of the fixed assets lower than its book value due to backward technology, damage and long term dormancy. Fixed assets are fully provided for diminution in value in any of the following situations:

- (i) fixed assets which are unused for a long time, not to be used in foreseeable future and have no transfer value;
- (ii) fixed assets which can no longer be used for reasons including progress in technology;
- (iii) fixed assets which could still be used but will produce a large quantity of unqualified goods;

- (iv) fixed assets which are damaged and thus without use and transfer values.
- (v) other fixed assets which could not bring economic efficiency to the enterprise actually. Fixed assets which are fully provided for diminution in value will no longer be depreciated.

## **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 ready for their anticipated use.

The loan for the construction of the fixed assets accrued as loan expense is charged to the cost of the construction in progress in accordance with the required capitalisation condition.

## **PROVISION FOR DIMINUTION IN VALUE OF CONSTRUCTION IN PROGRESS**

Provision for diminution in value of construction in progress is made in any of the following situations:

- (i) construction in progress which is stopped for a long time and will not commence operation in the next three years;
- (ii) the project to be constructed is backward in terms of functions and technology and its economic efficiency to the enterprise is very uncertain;
- (iii) other evidence to prove that the construction in progress has been devalued.

## **INTANGIBLE ASSETS**

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

## **PROVISION FOR DIMINUTION IN VALUE OF INTANGIBLE ASSETS**

Provision for diminution in value of intangible assets represents at the difference of the recoverable amount of the intangible assets lower than its book value when the Company made an examination of the intangible assets and forecast their future economic efficiency capability at the end of the period.

## **PRE-OPERATING EXPENSES**

Pre-operating expenses are recognised as the profit and loss of the month when the production and operation commence on an one-off basis.

## **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.

For long term deferred expenses which will not benefit the enterprise after the accounting period, its outstanding deferred expenses will fully transfer to profit and loss account for the period.

## **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 period is provided on the assessable income. It is calculated on basis of the accounting profit adjusted in accordance with the relevant tax laws and regulations.

### **3. TAXATION**

#### **VALUE ADDED TAX**

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

#### **BUSINESS TAX**

Business tax is charged at 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.

### **4. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES**

The Company conducted an examination of its fixed assets, construction in progress and intangible assets in the interim period of 2001 in accordance with the regulation of diminution in value of assets stated in "Accounting Regulations for Business Enterprises"

promulgated by the Ministry of Finance. For those assets with continuous decrease of market prices, backward technology, damage and long-term dormancy, the amounts of the recoverable amount of fixed assets, construction in progress and intangible assets by which they are lower than their book values are accounted for as the provision for diminution in value of fixed assets, construction in progress and intangible assets respectively.

In accordance with "Thorough Implementation of Alignment of Relevant Policies of Accounting Regulations for Business Enterprises" (Cai Hui [2001] No. 17), the Company made corresponding accounting arrangement in view of the above change in accounting policy in retrospect:

1. The Company made provision for diminution in value of fixed assets is aggregate of Rmb31,689,714.46 as at 30 June 2001 and 31 December 2000; in aggregate of Rmb10,495,727.79 as at 31 December 1999.
2. The Company made provision for diminution in value of construction in progress in aggregate of Rmb8,092,659.97 as at 30 June 2001 and 31 December 2000; in aggregate of Rmb8,092,659.97 as at 31 December 1999.

The aforesaid change in accounting policy resulted in the following: (1) Retained profit at the beginning of 2001 reduced by Rmb39,782,374.43. As the basis of appropriation to the statutory surplus reserve and statutory public welfare fund for the previous year decreased, each of the statutory surplus reserve and the statutory public welfare fund was reduced by Rmb3,978,237.45 and the retained profit at the beginning for the year was increased by Rmb7,956,474.90. Accordingly, the retained profit at the beginning of 2001 was decreased by Rmb31,825,899.53 accumulatively. (2) The retained profit of the Company at the beginning of 2000 was reduced by Rmb18,588,387.76. Each of the statutory surplus reserves and statutory public welfare fund was correspondingly decreased by Rmb1,858,838.78 respectively and the retained profit at the beginning of 2000 was increased by Rmb3,717,677.56. Accordingly, the retained profit at the beginning of 2000 was decreased by Rmb14,870,710.20 accumulatively. (3) The profit of the Company for 2000 was reduced by Rmb21,193,986.67 and each of the statutory surplus reserves and the statutory public welfare fund was decreased by Rmb2,119,398.67.

## 5. DETAILS OF SUBSIDIARIES

The Company owns the following subsidiaries:

Name of the subsidiaries	Registered shares capital	Percentage of 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 machine and spare parts and	Rmb4,050,000	98.77	Manufacturing of printing provision of technical consultancy services
Beiren Tai He Printing and Casting Factory	Rmb4,000,000	62.50	Manufacturing of casting parts 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 for the Group

The above subsidiaries have been consolidated.

## 6. CASH AND BANK BALANCES

	30.06.2001			31.12.2000		
	Amount in foreign currency	Exchange rate	Rmb	Amount in foreign currency	Exchange rate	Rmb
Cash						
Renminbi	-	-	522,439.75	-	-	12,667.51
Foreign currency -						
Japanese Yen	293,111.00	0.0663325	19,442.79	-	-	-
US dollars	4,690.00	8.27700	38,819.13	-	-	-
Hong Kong dollars	3,991.60	1.06120	4,235.89	5,665.20	1.060600	6,008.51
Deutschemark	3,020.00	3.57769	10,804.65	-	-	-
			595,742.21			18,675.58
Bank balance						
Renminbi	-	-	157,381,007.67	-	-	121,845,788.69
Foreign currency -						
Hong Kong dollars	1,979,207.22	1.06120	2,100,334.72	3,899,839.79	1.060600	4,142,817.72
US dollars	36,270.39	8.27700	300,210.02	36,270.39	8.278100	300,249.91
Japanese yen	3,085,093.00	0.0663325	204,641.93	15,357,913.00	0.072422	1,112,250.78

159,986,194.34	127,401,107.10
160,581,936.55	127,419,782.68

## 7. ACCOUNT RECEIVABLES

The aging of account receivables is analysed as follows:

	Amount <i>Rmb</i>	30.06.2001			Amount <i>Rmb</i>	Amount <i>Rmb</i>	31.12.2000		
		Ratio (%)	Provision for Bad Debt <i>Rmb</i>	Net Amount <i>Rmb</i>			Ratio (%)	Provision for Bad Debt <i>Rmb</i>	Net Amount <i>Rmb</i>
Within 1 year	148,602,778.53	92.27	-	148,602,778.53	69,592,438.37		82.95	-	69,592,438.37
1 year-years	2,663,787.08	1.65	152,472.49	2,511,314.59	8,146,908.53		9.71	1,522,832.68	6,624,075.85
2 years-years	3,877,883.73	2.41	1,869,728.91	2,008,154.76	3,449,854.89		4.11	2,165,413.87	1,284,441.02
Over 3 years	5,911,407.70	3.67	4,308,598.09	1,602,809.61	2,713,219.24		3.23	2,642,553.00	70,666.24
	161,055,857.04	100.00	6,330,799.55	154,725,057.49	83,902,421.03		100.00	6,330,799.55	77,571,621.48

The five largest receivable accounts are as follows:

Name of debtor	Amount due <i>Rmb</i>	Period due	Reason
Beiren Group Corporation	79,751,190.28	within 1 year	agency sale (note)
Zhejiang Press Printing Materials General Company	4,400,000.00	within 1 year	credit sale
Guiyang Baolian Colour Printing Factory	3,800,000.00	within 1 year	credit sale
Wuhan Chengcheng Culture Investment Group Co., Ltd.	3,700,000.00	within 1 year	credit sale
Hubei Printing Materials Company	3,743,000.00	within 1 year	credit sale
	95,394,190.28		

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

Name of shareholder	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
Beiren Group Corporation	79,751,190.28	43,888,557.96

Note: Amount were due by the ultimate customer and the funds were not used by the ultimate holding Company.

## 8. OTHER RECEIVABLES

The aging of other receivables is analysed as follows:

30.06.2001	31.12.2000
------------	------------

	Amount <i>Rmb</i>	Ratio (%)	Provision for Bad Debt <i>Rmb</i>	Net Amount <i>Rmb</i>	Amount <i>Rmb</i>	Ratio (%)	Provision for Bad Debt <i>Rmb</i>	Net Amount <i>Rmb</i>
Within 1 year	19,508,233.79	48.89	-	19,508,233.79	5,169,002.14	18.30	-	5,169,002.14
1 year - years	2,660,041.08	6.67	399,064.65	2,260,976.43	4,419,339.22	15.64	496,983.95	3,922,355.27
2 years - years	1,132,709.95	2.84	508,432.97	624,276.98	10,949,594.64	38.76	4,354,842.18	6,594,752.46
Over 3 years	16,602,262.75	41.60	6,583,356.00	10,018,906.75	7,710,575.28	27.30	2,208,575.49	5,501,999.79
	39,903,247.57	100.00	7,490,853.62	32,412,393.95	28,248,511.28	100.00	7,060,401.62	21,188,109.66

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	over 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 County Industrial Bureau	1,000,000.00	over 3 years	prepayment for land use right
Peng Lai Jing Mei Trademark Printing Company	500,000.00	1-2 years	loan for working capital
	13,100,000.00		

Shareholder who holds more than 5% of the Company's share capital has amount due from as follows:

Name of shareholder	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
Beiren Group Corporation	1,432,984.33	-

## 9. PREPAYMENTS

The aging of prepayments is analysed as follows:

	30.06.2001		31.12.2000	
	<i>Rmb</i>	%	<i>Rmb</i>	%
Within 1 year	5,828,532.68	49.90	16,323,169.79	96.02
1 year - 2 years	5,839,158.91	49.99	519,685.42	3.06
2 years - 3 years	129.68	-	157,461.93	0.92
Over 3 years	12,834.92	0.11	-	-
Total	11,680,656.19	100.00	17,000,317.14	100.00

The five largest prepayments are as follows:

<b>Payee</b>	<b>Balance due Rmb</b>	<b>Period due</b>	<b>Nature of prepayment</b>
Printing Scientific Technology Research Institute of People's Bank of China	5,792,895.00	1-2 years	technology service fee
Ya Kai Ya Century Trading Co., Ltd.	2,300,000.00	within 1 year	goods payment
Hebei Packaging Printing Machinery Company Limited	696,131.27	1-2 years	goods payment
Beifang Electrical Appliance Plant	650,000.00	1-2 years	goods payment
Beijing Yonghua Control Technology Co., Ltd.	645,000.00	within 1 year	goods payment
	10,084,026.27		

The balance of prepayments 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

		30.06.2001			31.12.2000	
		Provision for	Net		Provision for	Net
	Amount	diminution	amount	Amount	diminution	amount
	Rmb	in value	Rmb	Rmb	in value	Rmb
Raw materials	87,799,090.16	2,060,000.45	85,739,089.71	71,463,255.17	4,860,000.45	66,603,254.72
Work in progress	226,264,044.71	6,414,648.00	219,849,396.71	242,223,489.51	2,614,648.00	239,608,841.51
Finished goods	153,087,047.97	7,684,869.00	145,402,178.97	177,316,300.39	8,684,869.00	168,631,431.39
Semi-finished goods	18,099,894.09	1,710,976.49	16,388,917.60	6,857,134.46	1,710,976.49	5,146,157.97
Low value consumables	11,642.44	-	11,642.44	29,554.47	-	29,554.47
	485,261,719.37	17,870,493.94	467,391,225.43	497,889,734.00	17,870,493.94	480,019,240.06

## 11. DEFERRED EXPENSES

	<b>31.12.2000</b>	<b>Additions during the period</b>	<b>Amortised during the period</b>	<b>30.06.2001</b>
	<i>Rmb</i>	<i>Rmb</i>	<i>Rmb</i>	<i>Rmb</i>
Insurance	24,904.00	427,123.72	(198,291.80)	253,735.92
Road maintenance	32,500.50	33,055.00	(62,915.50)	2,640.00
Newspaper subscription	10,712.16	3,451.80	(8,216.50)	5,947.46
Others	119,417.87	855,895.31	(130,684.37)	844,628.81
	187,534.53	1,319,525.83	(400,108.17)	1,106,952.19



## 12. DISPOSAL OF CURRENT ASSETS CLEARANCE

	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
Stocktake loss	-	199,310.66

## 13. LONG TERM INVESTMENTS

	31.12.2000 <i>Rmb</i>	Additions during the period <i>Rmb</i>	Amortised during the period <i>Rmb</i>	30.06.2001 <i>Rmb</i>
Long term investment in debts	32,847,000.00	-	-	32,847,000.00
Less: provision for diminution in value of long-term investments	-	(8,333,200.00)	-	(8,333,200.00)
	32,847,000.00	(8,333,200.00)	-	24,513,800.00

## LONG TERM INVESTMENT IN DEBTS

### (1) Details of investments

	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
Investment in debentures	120,000.00	120,000.00
Investment in other debts	32,727,000.00	32,727,000.00
	32,847,000.00	32,847,000.00

### (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	(Note)	2007.10.30

Note: The principal of the electricity debenture was recovered on 18 July 2001.

### (3) Investment in other debts

Name of investee company	Project	Term of investment	Amount	Rate of return	Provision for diminution
--------------------------	---------	-----------------------	--------	-------------------	--------------------------------

			<i>Rmb</i>	<i>%</i>	<i>Rmb</i>
South-east Asia Investment and Development Company Limited	Property located in Macau	Note	32,727,000.00 (HK\$30,000,000.00)	12-15	8,333,200.00

(4) Provision for diminution in value of long-term investments

	<b>Opening balance</b>	<b>Additions during the period</b>	<b>Amount transferred from during the period</b>	<b>Closing balance</b>
Provision for diminution in value of long-term investments		- (8,333,200.00)		- (8,333,200.00)

Note: Investment in other debts was originally the deposit for purchase of four flats from South-east Asia Investment and Development Company Limited ("SAID") 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. As at the end of 1998, the Company received interest of Rmb18,750,000 (equivalent to Rmb20,117,692.50) in aggregate from SAID.

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.

The Company and Southeast Asia Group entered into a Supplementary Agreement thereafter. Pursuant to the agreement, SAID shall complete the procedures for the transfer of relevant title at the end of August 2001. If SAID fails to complete the procedures, this Supplementary Agreement will be cancelled and the original agreement will be retained. SAID shall be responsible for the payment of the original investment amount and the outstanding return.

According to the asset valuation report prepared by Yong Li Hong Appraisal Consultant Co., Ltd. on 8 July 2001, the existing value of the aforesaid flats is HK\$23 million (approximately equivalent to Rmb24.4 million). In accordance with "Accounting Regulations for Business Enterprises", the Company made a comparison between the book value and the recoverable amount for whichever is lower and made provision for diminution in value of long-term investment of Rmb8,333,200.00, which is the difference between its

recoverable amount and its book value.

The Company received an amount equivalent to Rmb4,091,800 in aggregate from SAID during the period from 1999 to 30 June 2001. The Company charged the difference between the provision for diminution in value of long-term investment and the received amount of Rmb4,241,400.00 to the profit and loss account for the period.

#### 14. FIXED ASSETS AND ACCUMULATED DEPRECIATION

	<b>Buildings</b> <i>Rmb</i>	<b>Plant and machinery</b> <i>Rmb</i>	<b>Furniture fixture and equipment</b> <i>Rmb</i>	<b>Motor vehicles</b> <i>Rmb</i>	<b>Total</b> <i>Rmb</i>
At cost					
At beginning	317,991,777.36	398,945,286.28	53,508,459.15	28,459,991.81	798,905,514.60
Reclassification	-	2,986,660.88	(1,998,127.88)	(988,533.00)	-
Additions	99,567.74	11,147,023.18	649,459.69	1,017,411.70	12,913,462.31
Transfer from construction in progress	252,000.00	8,091,368.26	167,794.98	411,992.10	8,923,155.34
Reductions	(76,529.77)	(1,944,642.00)	(1,322,775.50)	(259,940.00)	(3,603,887.27)
At end of period	318,266,815.33	419,225,696.60	51,004,810.44	28,640,922.61	817,138,244.98
Accumulated depreciation					
At beginning	75,905,392.56	213,476,463.50	26,742,947.81	15,360,636.05	331,485,439.92
Reclassification	-	436,746.60	(424,016.80)	(12,729.80)	-
Additions	3,802,535.68	9,437,731.77	2,601,363.67	1,280,638.24	17,122,269.36
Reductions	(38,422.28)	(1,361,392.04)	(1,129,049.28)	(251,538.05)	(2,780,401.65)
At end of period	79,669,505.96	221,989,549.83	27,791,245.40	16,377,006.44	345,827,307.63
Provision for diminution in value					
At beginning (note)	-	31,689,714.46	-	-	31,689,714.46
Additions	-	-	-	-	-
Reductionioins	-	-	-	-	-
At end of period	-	31,689,714.46	-	-	31,689,714.46
Net book values					
At beginning of period	242,086,384.80	153,779,108.32	26,765,511.34	13,099,355.76	435,730,360.22
At end of period	238,597,309.37	165,546,432.31	23,213,565.04	12,263,916.17	439,621,222.89

Note: (1) Due to adjustment of product mix, certain machinery has been sealed and no depreciation is provided since then. At 30 June 2001, the net book value of the sealed fixed asset totalled Rmb19,999,497.78. The Company made a

provision for diminution in value of the sealed fixed asset at Rmb9,971,871.98. In addition, the Company made a comparison between the book value and the recoverable amount of other fixed assets and made a provision for diminution in such assets amounting to Rmb21,717,842.48 at end of the period according to "Accounting Regulations for Business Enterprises". In accordance with "Regulations on the Alignment to the Implementation of the Relevant Policies of Accounting Regulations for Business Enterprises" (Cai Hui [2001] No.17), the above-mentioned provision for diminution in value of Rmb31,689,714.46 has been adjusted in retrospect.

## 15. CONSTRUCTION IN PROGRESS

Project name	Opening balance <i>Rmb</i>	Additions during the period <i>Rmb</i>	Transferred to fixed assets during the period <i>Rmb</i>	Other reductions during the period <i>Rmb</i>	Closing balance <i>Rmb</i>
Construction in progress	46,667,878.25	58,414,010.85	(8,923,155.34)	-	96,158,733.76
Less: provision for diminution in value of construction in progress	(8,092,659.97)	-	-	-	(8,092,659.97)
	38,575,218.28	58,414,010.85	(8,923,155.34)	-	88,066,073.79

Project name	Opening balance <i>Rmb</i>	Adjustment of reclassification at beginning of the period	Additions during the period <i>Rmb</i>	Transferred to fixed assets during the period <i>Rmb</i>	Other reductions during the period <i>Rmb</i>	Closing balance <i>Rmb</i>	Provision for diminution in value <i>Rmb</i>	Source of funds	Progress
Equipment renovation	40,813,650.76	(25,769,340.20)	11,621,773.26	(8,328,655.34)	-	18,337,428.48	(8,092,659.97)	Self-financed	90%
Land use right	-	1,000,000.00	35,595,929.00	-	-	36,595,929.00	-	Self-financed	50%
Casting workshop	-	24,769,340.20	10,250,080.69	-	-	35,019,420.89	-	Self-financed	90%
Workshop improvements	5,161,509.49	-	776,727.90	(178,000.00)	-	5,760,237.39	-	Self-financed	90%
Conservations facilities	692,718.00	-	169,500.00	(416,500.00)	-	445,718.00	-	Self-financed	93%
	46,667,878.25	-	58,414,010.85	(8,923,155.34)	-	96,158,733.76	(8,092,659.97)		

Note: (1) During the year, there was no interest capitalised.

- (2) According to Accounting Regulations for Business Enterprises for 2001, the Company made a thorough examination of the construction in progress. As at 30 June 2001, the construction in progress which has been stopped construction for a long term and is not likely to commence construction in the next 3 years amounted to Rmb8,272,659.97 at cost. The Company made a provision for diminution in value of the construction in progress at Rmb8,092,659.97, which is the difference between the recoverable amount and the book value. The amount has been adjusted in retrospect according to the Accounting Regulations for Business Enterprises.

## 16. INTANGIBLE ASSETS

	Opening balance <i>Rmb</i>	Additions during the period <i>Rmb</i>	Amortised during the period <i>Rmb</i>	Closing balance <i>Rmb</i>
Intangible assets	31,857,484.83	-	(495,309.32)	31,362,175.51
Less: Provision for diminution in value of intangible assets	-	(3,480,000.00)	-	(3,480,000.00)
	31,857,484.83	(3,480,000.00)	(495,309.32)	27,882,175.51

Type	Original Amount <i>Rmb</i>	Opening balance <i>Rmb</i>	Additions during the period <i>Rmb</i>	Amortised during the period <i>Rmb</i>	Closing balance <i>Rmb</i>	Remaining amortisation period
Imported sales network	4,350,000.00	3,480,000.00	-	-	3,480,000.00	-
Technical knowhow	5,195,099.13	3,715,512.03	-	(244,094.94)	3,471,417.09	5-14 years
Land use right	25,121,440.00	24,661,972.80	-	(251,214.38)	24,410,758.42	42-49 years
	34,666,539.13	31,857,484.83	-	(495,309.32)	31,362,175.51	

Note: Imported sales network was invested by the Company's subsidiary when it was set up. According to the relevant requirement of the Accounting Regulations for Business Enterprises, the imported sales network is fully provided for diminution in value of intangible assets as it was replaced by other sales network and its economic efficiency was thus materially affected.

## 17. LONG TERM DEFERRED EXPENSES

Type	Opening balance <i>Rmb</i>	Additions during the period <i>Rmb</i>	Amortised during the period <i>Rmb</i>	Closing balance <i>Rmb</i>	Note
Land development cost	51,108,000.00	-	-	51,108,000.00	1
Product development cost	476,170.37	-	(476,170.37)	-	2
Equipment improvement	107,884.93	-	(53,915.22)	53,969.71	
Repair to factory	1,444,904.75	-	(163,740.36)	1,281,164.39	
	53,136,960.05	-	(693,825.95)	52,443,134.10	

Note:

1. The development cost of the land which is used by the Company is amortised for 50 years on a straight line basis.

The land development cost is injected when a valuation was made, upon the Company was reorganised as a joint stock company. The Company should remove from the present address as required by the overall city planning in Beijing in compliance with the environmental protection requirement made by Beijing People's Government. In July 2001, Beiren Group Corporation undertook that it will give a compensation which will not be lower than the book value of the audited land development cost at the end of 2000 to the Company when the Company removes from its present address.

Accordingly, the Company will not amortise the land development cost commencing from the financial year of 2001.

2. According to the Accounting Regulations for Business Enterprises, the Company has transferred all the remaining amortised value of long term deferred expense projects which cannot bring benefits in the future accounting period to the profit and loss account for the period.

## 18. SHORT TERM LOANS

Type of loan	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
By guarantee	143,000,000.00	20,000,000.00
Unsecured	1,000,000.00	1,000,000.00
	144,000,000.00	21,000,000.00

The balance at the of June 2001 includes Rmb143,000,000.0 guaranteed by Beiren Group Corporation.

## 19. ACCOUNTS PAYABLE

Accounts payable who are shareholders of more than 5% of the Company's share capital are as follows:

Name of shareholder	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
Beiren Group Corporation	2,061,392.78	-

## 20. 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.

## 21. DIVIDENDS PAYABLE

Name of investor	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
Beiren Group Corporation	25,000,000.00	25,000,000.00
PRC public shares	5,000,000.00	5,000,000.00
Hong Kong public shares	-	10,000,000.00
	30,000,000.00	40,000,000.00

## 22. TAXES PAYABLE

	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
Income tax	4,363,118.18	1,907,857.08
Value added tax	12,367,980.79	(6,816,487.29)
Business tax	11,849.24	49,864.99
Urban maintenance and construction tax	742,893.16	186,991.50
Land use tax	217,831.45	61,103.00
Real estate tax	447,864.80	456,142.82
Individual income tax	9,805.39	19,307.69
	18,161,343.01	(4,135,220.21)

## 23. OTHER PAYABLES

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

Name of shareholders	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
Beiren Group Corporation	110,520,983.00	126,754,049.26

## 24. ACCRUALS

	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
Property Management fee	-	47,727.00
Interest accruals	324,031.70	-

Leasing fee	334,950.50	-
Utilities fee	61,046.08	-
Auditing fee	700,000.00	-
Others	931,580.33	11,608.75
	2,351,608.61	59,335.75

## 25. DEFERRED TAX

	Closing and opening balance <i>Rmb</i>
Deferred tax credit balance	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.

## 26. SHARE CAPITAL

	Closing and opening balance (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.

## 27. CAPITAL RESERVE

Closing and  
opening balance



*Rmb*

Share Premium	398,134,633.19
Capital reserve on shares in investee companies	1,376,667.85
	399,511,301.04

## 28. 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 period	45,503,186.65	42,979,710.17	39,850,838.07	128,333,734.89
Prior period adjustments (Note)	(3,978,237.45)	-	(3,978,237.45)	(7,956,474.90)
Opening balance restated	41,524,949.20	42,979,710.17	35,872,600.62	120,377,259.99
Additions	3,207,052.64	-	3,207,052.64	6,414,105.28
Balance at end of period	44,732,001.84	42,979,710.17	39,079,653.26	126,791,365.27

Note: As stated in note 4 "Change in Accounting Policies and Estimates", the statutory surplus reserve and statutory public welfare fund are adjusted accordingly.

## 29. RETAINED PROFITS

Items	Appropriation Ratio	Amount <i>Rmb</i>
Retained profit brought forward before adjustment		46,779,708.22
Add: Prior period adjustments to retained profit brought forward (Note 1)		(31,825,899.53)
Retained profits brought forward restated		14,953,808.69
Add: Net profits for the period		32,355,173.63
Less: Transfer to statutory surplus reserve	10% net profits from January to June 2001	(3,207,052.64)
Transfer to statutory public welfare fund (Note 2)	10% net profits from January to June 2001	(3,207,052.64)
Retained profits carried forward		40,894,877.04

Note 1: Due to change in accounting policy as stated in note 4, the retained profit brought forward is adjusted.

Note 2: The transfer to statutory public welfare fund is subjected to the approval by

shareholders at the Annual General Meeting.

### 30. INCOME FROM PRINCIPAL OPERATIONS

	Jan-June 2001 (Accumulated) <i>Rmb</i>	Year 2000 (Accumulated) <i>Rmb</i>	Jan-June 2000 (Accumulated) (Unaudited) <i>Rmb</i>
Domestic sale			
Sales income from printing machines			
Sheet-fed press	212,941,787.84	348,931,088.00	176,870,294.16
Web offset press	88,582,943.26	16,960,300.00	-
Pressing machines	1,770,085.47	209,400.00	209,402.00
Form machines	23,917,948.71	31,257,330.00	11,454,526.34
	327,212,765.28	397,358,118.00	188,534,222.50
Sale of spare parts and components	23,107,197.54	44,304,728.94	22,429,644.67
Overseas sale			
Sales income from printing machines	1,711,028.63	393,162.00	-
	352,030,991.45	442,056,008.94	210,963,867.17

### 31. COSTS OF PRINCIPAL OPERATIONS

	Jan-June 2001 (Accumulated) <i>Rmb</i>	Year 2000 (Accumulated) <i>Rmb</i>	Jan-June 2000 (Accumulated) (Unaudited) <i>Rmb</i>
Domestic sale			
Cost of sales of printing machines			
Sheet-fed press	150,369,874.45	227,230,389.00	113,331,050.07
Web offset press	67,099,766.27	13,468,930.00	-
Pressing machines	3,343,621.77	274,202.00	274,202.00
Form machines	18,637,768.14	24,561,920.00	9,204,763.89
	239,451,030.63	265,535,441.00	122,810,015.96
Cost of sale of spare parts and components	17,918,514.97	26,420,456.44	18,281,830.86
Overseas sale			
Cost of sales of printing machines	1,078,075.14	331,701.00	-
	258,447,620.74	292,287,598.44	141,091,846.82

### 32. PROFITS FROM OTHER OPERATIONS

	Jan-June 2001 (Accumulated) <i>Rmb</i>	Year 2000 (Accumulated) <i>Rmb</i>	Jan-June 2000 (Unaudited) <i>Rmb</i>
Trading of raw materials			
- income	3,744,433.49	3,894,093.37	1,775,103.76
- expense	(3,104,642.80)	(3,554,440.88)	(1,540,608.55)
	639,790.69	339,652.49	234,495.21
Rental income			
- income	-	189,999.70	25,000.00
- expense	-	(1,250.00)	-
	-	188,749.70	25,000.00
Other			
- income	3,807,717.08	2,057,728.66	1,285,488.39
- expense	(2,899,807.15)	(983,006.83)	(296,980.19)
	907,909.93	1,074,721.83	988,508.20
	1,547,700.62	1,603,124.02	1,248,003.41

### 33. FINANCIAL EXPENSES

	Jan-June 2001 (Accumulated) <i>Rmb</i>	Year 2000 (Accumulated) <i>Rmb</i>	Jan-June 2000 (Unaudited) <i>Rmb</i>
Interest expenses	3,166,154.56	2,514,774.02	1,344,344.79
Less: Interest income	1,275,989.17	4,504,267.48	2,313,601.00
Exchange loss	417,117.65	481,795.56	185,643.51
Less: Exchange income	1,024,491.15	138,214.98	38,178.85
Others	26,866.20	63,457.32	32,778.12
	1,309,658.09	(1,582,455.56)	(789,013.43)

### 34. INVESTMENT INCOME

Jan-June 2001	Year 2000	Jan-June 2000
------------------	--------------	------------------

	(Accumulated) <i>Rmb</i>	(Accumulated) <i>Rmb</i>	(Accumulated) (Unaudited) <i>Rmb</i>
Loss arising from diminution in value of long-term investment	(4,241,400.00)	-	-

### 35. NON-OPERATING INCOME

	Jan-June 2001 (Accumulated) <i>Rmb</i>	Year 2000 (Accumulated) <i>Rmb</i>	Jan-June 2000 (Accumulated) (Unaudited) <i>Rmb</i>
Net income from disposal of fixed assets	410,803.53	39,289.39	39,289.39
Penalty income	11,721.30	1,980.00	800.00
Others	183,923.00	53,442.66	37,081.51
	606,447.83	94,712.05	77,170.90

### 36. NON-OPERATING EXPENSES

	Jan-June 2001 (Accumulated) <i>Rmb</i>	Year 2000 (Accumulated) <i>Rmb</i>	Jan-June 2000 (Accumulated) (Unaudited) <i>Rmb</i>
Net expense from disposal of fixed assets	1,816,989.65	2,826,152.67	132,776.34
Provision for diminution in value of fixed assets	-	21,193,986.67	-
Penalty income	27,937.23	10,050.00	1,470.00
Others	16,304.04	359,607.21	166,467.75
	1,861,230.92	24,389,796.55	300,714.09

### 37. INCOME TAX

	Jan-June 2001 (Accumulated) <i>Rmb</i>	Year 2000 (Accumulated) <i>Rmb</i>	Jan-June 2000 (Accumulated) (Unaudited) <i>Rmb</i>
Income tax of the Company	6,612,879.67	8,622,116.34	4,009,957.94
Income tax of subsidiaries	-	24,821.51	8,196.77

6,612,879.67      8,646,937.85      4,018,154.71

### 38. OTHER CASH PAID RELATING TO OPERATING ACTIVITIES

	<b>Amount</b> <i>Rmb</i>
Agency commission paid	8,390,935.86
Payment for land use right	1,000,000.00
Payment for trademark fee	2,893,960.68
Audit fee	1,280,000.00
Installation and testing fee	2,803,647.61
Repairs and maintenance	1,193,446.18
Advertising, promotion and exhibition	939,751.42
Others	13,136,096.93
	31,637,838.68

### 39. RELATED PARTY 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 sale 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 Amount <i>Rmb</i>	Ratio %
Beiren Group Corporation	250,000,000	62.50

#### 3) Related parties that have no controlling relationship

Name of related party	Relations with the Company
-----------------------	----------------------------

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

a) Sales and purchases

From January - June 2001:

Item	Yan Long Import and Export Company <i>Rmb</i>	Beiren Group Corporation <i>Rmb</i>	Total <i>Rmb</i>
Sales transacted on behalf of the Company	1,132,478.63	283,570,513.16	284,702,991.79
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
Payment 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
Leasing services fee paid	-	25,200.00	25,200.00

Year 2000:

Item	Yan Long Import and Export Company <i>Rmb</i>	Beiren Group Corporation <i>Rmb</i>	Total <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

b) Current accounts with related parties

Items	Name of related parties	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
Trade debtors	Beiren Group Corporation (Note) Beijing Yan Long Import and	79,751,190.28	43,888,557.96

	Export Company (Note)	715,000.00	655,100.00
		80,466,190.28	44,543,657.96
Other receivables	Beiren Group Corporation	1,432,984.33	-
Prepayment	Beijing Yan Long Import and Export Company	100,000.00	2,082,280.00
Trade creditors	Beiren Group Corporation	2,601,392.78	-
	Beijing Yan Long Import and Export Company	-	-
		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	-
		110,876,982.98	126,754,049.26

Note: consignment sales revenue

#### 40. CONTINGENT EVENTS

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

#### 41. COMMITMENTS

##### (1) Capital commitments

*Rmb*

Contracted but not provided for purchase of assets	38,138,400.00
--	---------------

##### (2) Lease commitments

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

*Rmb*

Rental payable	
Within 1 year (inclusive)	902,560.00
1-2 years	902,560.00
2-3 years	902,560.00
Over 3 year	8,736,880.00

**42. POST BALANCE SHEET EVENT**

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

**43. OTHER MATTERS**

The comparative figures at the beginning of the period have been correspondingly adjusted due to change in accounting policies.

**FINANCIAL REPORT AND INDEPENDENT AUDITORS' REVIEW REPORT  
PREPARED IN ACCORDANCE WITH HONG KONG ACCOUNTING  
STANDARDS**

**INDEPENDENT REVIEW REPORT  
TO THE BOARD OF DIRECTORS OF  
BEIREN PRINTING MACHINERY HOLDINGS LIMITED**  
*(established in the People's Republic of China with limited liability)*

**INTRODUCTION**

We have been instructed by the Company to review the interim financial report set out on pages 40 to 49.

**DIRECTORS' RESPONSIBILITIES**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants. However, the Listing Rules permit departure from SSAP 25 in that comparative figures are not required for the cash flow statement to be included in the first interim financial report relating to accounting periods ended on or after 1 July 2000. The interim financial report is the responsibility of, and has been approved by, the directors.

**REVIEW WORK PERFORMED**

We conducted our review in accordance with the Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" ("SAS 700") issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.



## REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2001.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement for the six months ended 30 June 2000 disclosed in the interim financial report has not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu  
Hong Kong, 17 August 2001

## CONDENSED CONSOLIDATED INCOME STATEMENT

*(prepared under accounting principles generally accepted in Hong Kong)*

FOR THE SIX MONTHS ENDED 30 JUNE 2001

		(unaudited) Six months ended	
		30.6.2001	30.6.2000
	NOTES	Rmb'000	Rmb'000
Turnover		350,283	209,147
Cost of sales		(258,448)	(141,092)
Gross profit		91,835	68,055
Other revenue		3,849	3,733
Distribution costs		(17,465)	(12,271)
Administrative expenses		(32,421)	(32,853)
Impairment losses in respect of property, plant and equipment	2	(31,690)	-
Impairment losses in respect of construction in progress	2	(8,093)	-
Profit from operations	4	6,015	26,664
Finance costs		(3,005)	(1,562)
Profit before taxation		3,010	25,102
Taxation	5	(6,980)	(4,018)
(Loss) profit after taxation		(3,970)	21,084
Minority interests		(295)	574
Net (loss) profit for the period		(4,265)	21,658
Appropriations	6	38,458	26,214

(Loss) earnings per share	7	Rmb(1.07 fen)	Rmb5.4 fen
---------------------------	---	---------------	------------

**CONDENSED CONSOLIDATED BALANCE SHEET**  
*(prepared under accounting principles generally accepted in Hong Kong)*  
**AT 30 JUNE 2001**

	NOTES	(unaudited) 30.6.2001 Rmb'000	(audited) 31.12.2000 Rmb'000
<b>Non-current assets</b>			
Property, plant and equipment	8	465,125	492,748
Construction in progress	9	88,324	48,079
Intangible assets		3,455	4,227
Deferred staff accommodation expense		38,390	39,428
Other assets		32,847	32,847
		628,141	617,329
<b>Current assets</b>			
Inventories		467,391	480,019
Accounts receivable, prepayments and other receivables	10	198,436	115,013
Bank balances and cash		160,582	127,420
		826,409	722,452
<b>Current liabilities</b>			
Accounts payable	11	75,146	73,626
Other payables and provisions		47,930	47,932
Amount due to ultimate holding company		110,000	126,754
Amounts due to minority shareholders of subsidiaries		12,517	6,213
Sales deposits received		29,912	30,013
Provision for taxes and levies		19,249	4,477
Option payments received		24,209	24,209
Dividend payable	12	30,000	-
Short term bank loans - unsecured		144,000	21,000
		492,963	334,224
<b>Net current assets</b>		333,446	388,228
		961,587	1,005,557
<b>Capital and reserves</b>			
Share capital	13	400,000	400,000
Reserves	14	536,945	581,210

	936,945	981,210
Minority interests	24,642	24,347
	961,587	1,005,557

## CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

*(prepared under accounting principles generally accepted in Hong Kong)*

FOR THE SIX MONTHS ENDED 30 JUNE 2001

	(unaudited)	
	Six months ended	
	30.6.2001	30.6.2000
	Rmb'000	Rmb'000
Net (loss) profit and total recognised gains for the period	(4,265)	21,658
Prior period adjustment arising from the effects of change in accounting policy		
- increase in dividend reserve at 1 January 2000		22,000

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*(prepared under accounting principles generally accepted in Hong Kong)*

FOR THE SIX MONTHS ENDED 30 JUNE 2001

	(unaudited)
	1.1.2001
	to
	30.6.2001
	Rmb'000
Net cash inflow from operating activities	10,191
Net cash outflow from returns on investments and servicing of finance	(11,970)
Tax paid	(3,997)
Net cash outflow from investing activities	(56,721)
Net cash outflow before financing	(62,497)
Net cash inflow from financing	106,246
Net increase in cash and cash equivalents	43,749

Cash and cash equivalents at 1 January	85,303
Cash and cash equivalents at 30 June	129,052

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
*(prepared under accounting principles generally accepted in Hong Kong)*  
**FOR THE SIX MONTHS ENDED 30 JUNE 2001**

**1. BASIS OF PRESENTATION**

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants, except that, in this first year of implementation of the Standard, as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, no comparative amounts have been presented for the condensed cash flow statement.

**2. PRINCIPAL ACCOUNTING POLICIES**

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

Other than as described below, the accounting policies adopted in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2000.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. The Standards which have impacted on the interim financial statements are as follows:

- (i) In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which increases the equity at 31 December 1999 and 31 December 2000 by Rmb22,000,000 and Rmb40,000,000 respectively.
- (ii) SSAP 31 "Impairment of Assets" has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets. Although in prior years the Group complied with the requirements of specific Accounting Standards in respect of impairment losses, the introduction of SSAP 31 has required a re-estimation of the recoverable amount of certain assets, resulting in the identification of additional impairment losses at 30 June 2001 in respect of property, plant and equipment and construction in progress amounting to Rmb31,690,000 and Rmb8,093,000 respectively. These additional impairment losses have been recognised in full in the current interim period.

### 3. SEGMENT INFORMATION

#### Business segments

The Group's segment revenue and segment results, analysed by operating activity is as follows:

	<b>Manufacture and sales of printing machinery <i>Rmb'000</i></b>	<b>Manufacture and sales of spare parts <i>Rmb'000</i></b>	<b>Trading of raw materials and other operations <i>Rmb'000</i></b>	<b>Eliminations <i>Rmb'000</i></b>	<b>Consolidated <i>Rmb'000</i></b>
<u>2001</u>					
REVENUE					
External sales	347,321	4,368	1,355	-	353,044
Inter-segment sales	9,587	-	10,345	(19,932)	-
Total revenue	356,908	4,368	11,700	(19,932)	353,044
SEGMENT RESULT	45,569	700	8,719	(19,947)	35,041
Interest income					1,088
Interest expenses					(3,005)
Unallocated corporate expenses					(30,114)
Profit before taxation					3,010
<u>2000</u>					
REVENUE					
External sales	198,195	4,363	7,971	-	210,529
Inter-segment sales	9,410	-	4,061	(13,471)	-
Total revenue	207,605	4,363	12,032	(13,471)	210,529
SEGMENT RESULT	72,852	(95)	(1,791)	(13,800)	57,166
Interest income					2,351
Interest expenses					(1,562)
Unallocated corporate expenses					(32,853)
Profit before taxation					25,102

## Geographical segments

Substantially all of the Group's revenue is derived from the People's Republic of China (the "PRC") and revenue derived from outside the PRC is insignificant.

## 4. PROFIT FROM OPERATIONS

	Six months ended	
	30.6.2001	30.6.2000
	<i>Rmb'000</i>	<i>Rmb'000</i>
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation	18,560	14,590
Interest income	(1,088)	(2,351)

## 5. TAXATION

	Six months ended	
	30.6.2001	30.6.2000
	<i>Rmb'000</i>	<i>Rmb'000</i>
Provision for PRC income tax	6,980	4,018

PRC income tax is calculated at 15% on the estimated assessable profit for both periods.

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

## 6. APPROPRIATIONS

	Six months ended	
	30.6.2001	30.6.2000
	<i>Rmb'000</i>	<i>Rmb'000</i>
Transfer (from) to statutory surplus reserve (note 1)	(771)	2,107
Transfer (from) to statutory public welfare fund (note 2)	(771)	2,107
Dividends (note 3)	40,000	22,000
	38,458	26,214

Notes:

- (1) According to the relevant laws and regulations of the PRC, the Company has appropriated a sum equal to 10% (2000: 10%) of the current period's net profit of the Company calculated according to PRC accounting standards from the current period's net profit to statutory surplus reserve. Total amount appropriated is Rmb3,207,000 (2000: Rmb2,107,000).

In addition, the financial statements prepared under PRC Accounting Standards include certain prior year adjustments. Accordingly, the Company is required to reverse the previous years' appropriations to statutory surplus reserve to retained earnings to the extent of Rmb3,978,000 (2000: Nil). This amount has been included in current period's appropriation.

- (2) According to the relevant laws and regulations of the PRC, the Company has appropriated a sum equal to 10% (2000: 10%) of the current period's net profit of the Company calculated according to PRC accounting standards from the current period's net profit to the statutory public welfare fund. Total amount appropriated is RMB3,207,000 (2000: Rmb2,107,000).

In addition, the financial statements prepared under PRC Accounting Standards include certain prior year adjustments. Accordingly, the Company is required to reverse the previous years' appropriations to statutory public welfare fund to retained earnings to the extent of Rmb3,978,000 (2000: Nil). This amount has been included in current period's appropriation.

- (3) Dividends represent final dividends for the year ended 31 December 2000 of Rmb10.0 fen per share (2000: final dividend for the year ended 31 December 1999 of Rmb5.5 fen per share). The directors do not recommend the payment of any dividend in respect of the interim period.

## 7. (LOSS) EARNINGS PER SHARE

The calculation of (loss) earnings per share for the period is based on the net loss for the period of Rmb4,265,000 (2000: net profit for the period of Rmb21,658,000) and on the 400,000,000 shares (2000: 400,000,000 shares) in issue during the period.

## 8. PROPERTY, PLANT AND EQUIPMENT

**30.6.2001**  
*Rmb'000*

### COST

At 1 January 2001	793,670
Additions	13,127
Transfer from construction in progress	8,923
Disposals	(3,604)
At 30 June 2001	812,116

### ACCUMULATED DEPRECIATION

At 1 January 2001	300,922
Charge for the period	17,159
Impairment losses recognised (note 2)	31,690
Eliminated on disposals	(2,780)

At 30 June 2001	346,991
NET BOOK VALUES	
At 30 June 2001	465,125

## 9. CONSTRUCTION IN PROGRESS

	<b>30.6.2001</b>
	<i>Rmb'000</i>
At 1 January 2001	48,079
Additions	57,261
Transfer to property, plant and equipment	(8,923)
Impairment losses recognised (note 2)	(8,093)
At 30 June 2001	88,324

## 10. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES

At 30 June 2001, the balance of accounts receivable, prepayments and other receivables included accounts receivable of Rmb144,315,000 (31.12.2000: Rmb68,234,000). Customers are normally given a credit period of 90 - 180 days.

	<b>30.6.2001</b>	<b>31.12.2000</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>
The aged analysis of accounts receivable is as follows:		
Amount not yet due	115,004	53,258
Within one year	26,449	6,997
More than one year, but not exceeding two years	2,254	6,624
More than two years, but not exceeding three years	608	1,284
More than three years	-	71
	144,315	68,234

## 11. ACCOUNTS PAYABLE

	<b>30.6.2001</b>	<b>31.12.2000</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>
The aged analysis of accounts payable is as follows:		
Within one year	42,037	73,626
More than one year, but not exceeding two years	33,109	-



## 12. DIVIDEND PAYABLE

Dividend payable at the interim balance sheet date represents final dividends for the year ended 31 December 2000 payable to A Share shareholders.

## 13. SHARE CAPITAL

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

On 30 March 2001, the Company announced that the Company intended to issue not more than 50 million A shares on the Shanghai Stock Exchange. Details of the proposal were disclosed in the circular issued to the shareholders of the Company dated 12 April 2001. The issue of A shares has been approved by the shareholders of the Company at the Annual General Meeting and is pending for the approval of the relevant PRC government authorities.

## 14. RESERVES

	Share premium <i>Rmb'000</i>	Capital reserve <i>Rmb'000</i>	Statutory surplus reserve <i>Rmb'000</i>	Statutory public welfare fund <i>Rmb'000</i>	Discretionary surplus reserve <i>Rmb'000</i>	Retained profits <i>Rmb'000</i>	Dividend reserve <i>Rmb'000</i>	Total <i>Rmb'000</i>
At 1 January 2000								
- as originally stated	316,663	13,206	44,405	38,751	42,979	74,375	-	530,379
- prior period adjustment (note 2)	-	-	-	-	-	-	22,000	22,000
- as restated	316,663	13,206	44,405	38,751	42,979	74,375	22,000	552,379
Net profit for the year	-	-	-	--	-	50,831	-	50,831
Appropriations	-	-	1,099	1,099	-	(2,198)	-	-
Dividend paid	-	-	-	-	-	-	(22,000)	(22,000)
Amount set aside for proposed dividend	-	-	-	-	-	(40,000)	40,000	-
At 31 December 2000	316,663	13,206	45,504	39,850	42,979	83,008	40,000	581,210
Net loss for the period	-	-	-	-	-	(4,265)	-	(4,265)
Appropriations	-	-	(771)	(771)	-	1,542	-	-
Dividend approved at Annual General Meeting	-	-	-	-	-	-	(40,000)	(40,000)
At 30 June 2001	316,663	13,206	44,733	39,079	42,979	80,285	-	536,945

## 15. RELATED PARTY TRANSACTIONS

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

	Beiren Group Corporation ("BGC") (ultimate holding company)		Beijing Yan Long Import and Export Company (a subsidiary of BGC)	
	Six months ended		Six months ended	
	30.6.2001	30.6.2000	30.6.2001	30.6.2000
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Sales transacted on behalf of the Company	283,571	181,203	1,132	-
Sale of materials	2,813	4,809	-	-
Sale commission paid	8,357	5,436	34	-
Payment for land use right	1,000	1,000	-	-
Trademark fee paid	2,894	1,812	-	-
Purchase of materials	2,892	3,317	5,874	-
Repair and maintenance fee paid	25	31	-	-

## 16. CAPITAL COMMITMENTS

As at 30 June 2001, the Group had the following capital commitments:

	30.6.2001	31.12.2000
	<i>Rmb'000</i>	<i>Rmb'000</i>
Contracted but not provided for in respect of purchase of property, plant and equipment	38,138	73,460

## 17. THE EFFECT ON THE INTERIM RESULTS ARISING FROM THE DIFFERENCES BETWEEN PRC ACCOUNTING STANDARDS AND HONG KONG ACCOUNTING STANDARDS

	Net profit (loss) for the six months ended		(Note) Net assets as at	
	30.6.2001	30.6.2000	30.6.2001	31.12.2000
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
As reported under PRC accounting standards	32,355	20,973	967,199	974,627
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	-	606	9,090	9,090
- difference in valuation of capital contribution to subsidiaries	16	16	(1,758)	(1,742)
- receipt of option payments recognised as income under PRC accounting standards	-	-	(20,117)	(20,117)
- difference in recognition of staff				

accommodation expense	(1,038)	-	38,390	39,428
- final dividends for the year ended 31 December 2000 declared subsequent to balance sheet date	-	-	-	40,000
- difference in provision for permanent losses in other investment	4,241	-	4,241	-
- impairment losses in respect of property, plant and equipment	(31,690)	-	-	-
- impairment losses in respect of construction in progress	(8,093)	-	-	-
- others	(56)	63	98	122
As reported under Hong Kong accounting standards	(4,265)	21,658	936,945	981,210

Note: The net assets as at 31 December 2000 prepared under Hong Kong accounting standards have been adjusted as described in note 2 to the condensed consolidated financial statements.