

**IV. MANAGEMENT DISCUSSION AND ANALYSIS:****(1) Results of principal operations and analysis of financial position of the Company  
(Prepared under PRC Accounting Standards)****1. Movements of increases in revenues from principal operations, profits of principal operations, net profits, cash and cash equivalents**

Items	(Unit : Rmb)		
	01/2002 to 06/2002	01/2001 to 06/2001	Percentage of Change%
Revenues from principal operations	440,031,830.34	352,030,991.45	25.00
Profits from principal operations	135,956,238.80	91,834,925.97	48.04
Net profits	47,682,543.55	32,355,173.63	47.37
Cash and cash equivalents	6,247,764.96	33,162,153.87	(81.16)
Increase in prices of goods			

Analysis:

- (i) An increase in revenues from principal operations is mainly attributable to revenues from subsidiaries, such as Shaanxi Beiren and Beiren Yu Xin, and manufacturing and sales of 5 notes-printing machines, resulting a significant increase in revenues from the Company.
- (ii) An increase in profits from principal operations is attributable to a rise in gross profit margin of products and a rise in investment income from subsidiaries.
- (iii) Growth in cash and cash equivalents was down by 81.16% compared to the first half of last year, mainly because net cash flow from fund-raising activities decreased significantly compared to the first half of last year.

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### 2. Change in total assets and shareholders' equity :

Items	30/06/2002	31/12/2001	(Unit : Rmb)
			Percentage of Change%
Total assets	1,792,272,531.20	1,581,331,370.37	13.34
Shareholders' equity	998,827,000.40	951,126,165.21	5.02

Analysis:

- (i) An increase in total assets was mainly attributable to the fact that 1. the Company acquired Shaanxi Huanggong Group Printing Machinery Company Limited(陝西黃工集團印刷機器有限公司) (recognised in the statements of the Company) during the reporting period; 2. the Company recorded a growth in business and investment from moving which generated a rise in total assets.
- (ii) An increment in shareholders' equity was because net profits realized during the reporting period.

### (2) Operations of the Company

1. The Company is engaged in the development, design, manufacturing and sales of printing machines, pressing machines, packing machines, commercial form-printing machines, commercial roller printers, commercial soft board printers, intrusion printers, 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 State 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.
2. In the first half year of 2002, revenues from principal operations of the Company amounted to Rmb440.03 million. Net profits amounted to Rmb47.68 million. Revenues and net profits were significantly improved in the first half of the year over the same period of last year, which indicates the Company was in optimal developing stage. During the previous period, capital operation performed by the Company constructed a consolidated foundation for a rapid development, especially the acquisition of "Shaanxi Huanggong Group Printing Machinery Company Limited" for the establishment of Shaanxi Beiren Printing Machinery Company Limited. Products produced by such company not only filled the gap of product mix of the Company, but also generated more than Rmb50 million of revenues. Such company is engaged in operational motto "enterprise relies on products; products rely on creativity", completely utilizing the elites and technological advantage of the Company. The Company is strictly adherence to creativity, technological improvement, consolidation of quality management systems and striving to capitalize on market demand and developing series of products suited to meet market demand. There have been six technological achievements awarded by the State since 1999, filling the gaps of technological spectrum in the PRC. The most recent developed product is a high-speed wide paper intrusion printer, which have been put in the market and exported to Australia, South Korea and so on.
3. During the reporting period, revenues of principal products arising from principal operations. Breakdown of profits is as follows:

Items	Revenues from principal operations	(Unit: Rmb)
		Profits from principal operations
Flat paper printers	302,717,665.22	104,965,219.09
Rolling paper printers	41,149,657.92	9,748,908.11
Intrusion printers	53,601,511.72	12,694,995.34
Form-printing machines	27,145,299.12	7,040,003.06
Others	15,417,696.36	1,507,113.20

4. Analysis of movements of revenues from principal operations and profits from principal operations

Items	Contributions to revenues from principal operations (%)		Contributions to profits from principal operations (%)	
	1/2002 to 6/2002	1/2001 to 6/2001	1/2002 to 6/2002	1/2001 to 6/2001
Flat paper printers	68.79	60.49	77.21	66.98
Rolling paper printers	9.35	25.16	7.17	22.91
Intrusion printers	12.18		9.34	
Form-printing machines	6.17	6.79	5.18	5.62
Others	3.51	7.56	1.10	4.49

5. During the reporting period, there were no operation activities, which have material impact on net profits.

**(3) Use of proceed raised in the first half of 2002**

During the reporting period, no funds were raised by the Company. The previously raised funds were fully utilized in 1998; therefore, there were no raised funds, which had been raised in the previous period, carried forward to this period.

**(4) Matters related to investments in the first half of 2002 financed by funds which did not arise from fund raising activities**

1. In January 2002, the Company established Shaanxi Beiren Printing Machinery Company Limited for a consideration of Rmb60.77 million, all of which has been received.
2. Investment in establishing a new plant amounted to Rmb283 million (exclusive of Rmb76.30 million for land acquisition fee). Payment paid in previous period and contract fees for construction amounted to Rmb106.98million, representing 37.8% of the intended investment.
3. The Company and Monigraf of Italy jointly established a Sino-Foreign equity joint venture with investment of Rmb3.675 million from the Company.
4. During the reporting period, technological investment amounted to Rmb9.81 million.

**(5) Prospects for the second half of 2002**

1. After smooth completion of the first phase of moving project and the well preparation for the second phase of moving project, the Company will continue to be dedicated to achieving progress of the moving project, determining responsibilities of assets and solving major hurdles and making the transition in an orderly manner by way of regular meetings and special committees. The progress for second phase of moving project imposes a direct affection on development of new products, production and sale of the products by the Company. Movements of large processing centers and smooth transition precision equipment are new and difficult tasks. Hence, it shall be well prepared in accordance with scientific methods. Staff of the Company as a whole shall follow the central command of management. Such project shall be carried out according to the well-thought plan and implemented with immaculate coordination. Currently, number of signed contracts amounted to 24. Each construction was carried out in accordance with relevant contracts. In order to ensure progress and quality, save energy and minimize operational costs of a new plant after moving, specialists appointed by management of the Company carries out various research and rigorous discussion and estimate investment, resulting in satisfying results.

Currently, roofs of main structure of processing plant and ancillary buildings were completed. Infrastructure of other constructions was completed, commencing construction of main structure. Pursuant to the contract plan, processing plant and assembling plant will be completed within this year; integrated plant and scientific research building will be available to use in the first half of 2003.

2. Advancement in technologies and enhancement of product quality

The Company set up overseas research and development institutions in order to fully utilize foreign advanced technologies and appoint senior technological specialists, as well as catching up with the level of international advanced technologies as soon as possible. The Company will fully make use of technological specialists in the PRC, expanding scale and capacity of Xian Technology Center of the Company and finishing improvement of certain products independently.

The Company will speed up progress of research and development for new products, determine objectives and require tests. Tests of prototypes and evaluations for YP4B1A double-sheet four-colour press (N375), YB2B0 whole-sheet double-colour press (N373), YP1A1A double-sheet single-colour press (N380) are estimated to complete within this year; design for YP4B2A quadruple-sheet quadruple-colour press will be completed within this year.

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The company will consolidate management and supervise for quality, regard quality as the most important objective and speed up the feedback process for quality. Through composite analysis, the Company will systematically determine improvement procedures before deadline in an effort to make products up to its intended level.

3. Adjustment of production plans to keep market share and preparation for moving

The Company will actively adjust production plans according to the sales trend and focus areas, promptly reacting to market demand and arrange production plans. The Company will also determine moving reserve plans for the semi-annual production plans, especially implementation of production reservation for main components of equipment in precision processing centers. Since schedule for mission of production and tests of new products is very hectic, the Company will ensure that moving production lines is carried as planned.

4. Diminish elasticity of systems, addition of transparency of systems and realization of benefits from systems

The Company will continue to implement plans for consolidation management of the Company approved by the board of Directors in the beginning of the year and enhancement of the standard of management. The Company will consolidate prompt, scientificity, progress of decision-making. After scientific and rigorous discussion, once a decision is made, every level of management shall implement it. In the meantime, it should be noted that capital advantage of the Company is utilized. Coordination between management is reinforced.

By way of transfer of funds, the Company will further consolidate management of cash flow, addition of transparency for each expense, fix loopholes, tighten its control over subsidiaries, provide principal guideline for business, ensure the management of its subsidiaries is performed in accordance with scientific and regulatory methods.

The Company will integrate management with outside parties: (1) integrate production plans with outside parties, implement and review; (2) unify price charged by outside parties; (3) unify settlement of outside parties; (4) rigorously examine quality of products from outside parties; (5) pick up units to implement buy and process procedure.

This year, the Company will strictly review, perform organizational management, set "practical performance and enhancement of results from management" as an important task. Management officers will pose as role models and every employee is equal in front of this system. In the first half of 2002, management expenses recorded a larger decline compared to the same time over last year, mainly because disclosing business format, reviewing more thoroughly and centralizing payment. In the second half of the year, this successful management flow will be expanded to other sectors of business, in an effort to further reduce costs for the Company.

5. The Company will further issue A Shares when and if appropriate

Since printing and manufacturing technologies are rapidly developing, the Company will seize opportunities to adopt the developing trend, speed up the pace for research and development, fix correct direction for development, and make working position orderly. Directors will strive to accomplish every mission authorized by the general meeting.