

**VI. FINANCIAL REPORT (UNAUDITED)**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2002**

					<i>Unit: RMB</i>
	Notes	The Group 30.6.2002 (Unaudited)	The Group 31.12.01	The Company 30.6.2002 (Unaudited)	The Company 31.12.01
Current assets					
Cash and bank balances	5	223,695,112.70	217,447,347.74	194,404,846.13	195,614,130.48
Bill receivables	6	14,509,500.00	9,265,070.28	12,209,500.00	9,265,070.28
Account receivables	7	180,850,078.99	121,380,229.14	146,239,630.21	108,255,124.46
Other receivable	8	32,131,961.55	21,089,795.18	66,266,187.10	67,451,487.68
Prepayment	10	17,661,600.19	16,863,192.44	12,007,507.46	15,594,032.64
Inventories	11	511,901,989.83	478,984,417.38	353,463,027.66	380,756,559.48
Deferred expenses	12	1,460,271.44	892,328.08	392,140.70	5,153.86
Total current assets		<u>982,210,514.70</u>	<u>865,922,380.24</u>	<u>784,982,839.26</u>	<u>776,941,558.88</u>
Long term investment					
Long term equity investment	13	18,457,563.00	15,470,000.38	163,280,723.23	72,463,337.67
Difference in consolidation		<u>(22,240,000.00)</u>	<u>—</u>	<u>(22,240,000.00)</u>	<u>—</u>
Long term investment in debts		<u>24,413,800.00</u>	<u>24,393,800.00</u>	<u>24,393,800.00</u>	<u>24,393,800.00</u>
Total long term investments		<u>20,631,363.00</u>	<u>39,863,800.38</u>	<u>165,434,523.23</u>	<u>96,857,137.67</u>
Fixed assets					
Fixed assets, at cost	14	991,757,845.75	863,137,497.74	688,909,427.50	728,094,612.20
less: accumulated depreciation	14	<u>463,949,255.95</u>	<u>366,321,896.92</u>	<u>320,870,670.66</u>	<u>325,116,010.61</u>
Fixed assets, net book value		527,808,589.80	496,815,600.82	368,038,756.84	402,978,601.59
less: Provision for diminution in value of fixed assets	14	<u>31,689,714.46</u>	<u>31,689,714.46</u>	<u>31,689,714.46</u>	<u>31,689,714.46</u>
Fixed assets, net		496,118,875.34	465,125,886.36	336,349,042.38	371,288,887.13
Construction in progress	15	<u>163,233,192.07</u>	<u>128,528,475.51</u>	<u>158,272,614.85</u>	<u>120,940,688.12</u>
Total fixed assets		<u>659,352,067.41</u>	<u>593,654,361.87</u>	<u>494,621,657.23</u>	<u>492,229,575.25</u>
Intangible assets and other assets:					
Intangible assets	16	78,283,739.17	29,650,982.69	22,107,048.65	22,334,516.50
Long term deferred expenses	17	<u>51,794,846.92</u>	<u>52,239,845.19</u>	<u>50,748,000.00</u>	<u>51,108,000.00</u>
Total intangible assets and other assets		<u>130,078,586.09</u>	<u>81,890,827.88</u>	<u>72,855,048.65</u>	<u>73,442,516.50</u>
Total assets		<u><u>1,792,272,531.20</u></u>	<u><u>1,581,331,370.37</u></u>	<u><u>1,517,894,068.37</u></u>	<u><u>1,439,470,788.30</u></u>

*The notes form an integral part of the financial statements.*

## 2002 Interim Report

### BALANCE SHEET (CONTINUED) AS AT 30 JUNE 2002

Liabilities and shareholders' equity	Notes	Unit: RMB			
		The Group 30.6.2002 (Unaudited)	The Group 31.12.01	The Company 30.6.2002 (Unaudited)	The Company 31.12.01
Current liabilities					
Short term loans	18	276,505,000.00	247,100,000.00	220,000,000.00	220,000,000.00
Bills payable	19	2,800,000.00	—	—	—
Accounts payable	20	129,026,326.22	103,536,793.80	71,887,585.20	67,927,415.91
Receipts in advance	21	45,821,025.52	32,234,303.01	20,368,620.10	21,537,025.76
Wages Payable		1,467,514.66	5,259,796.07	—	3,692,281.41
Staff welfare		15,702,534.63	10,437,631.40	10,235,866.26	8,105,470.26
Dividend payable	22	48,000,000.00	48,000,000.00	48,000,000.00	48,000,000.00
Taxes payable	23	17,186,684.59	23,251,647.27	13,981,205.89	23,117,898.36
Sundry payable	24	1,113,930.63	523,834.26	286,851.84	487,224.75
Other payable	25	125,577,422.14	110,360,419.30	100,431,929.27	94,289,034.50
Accruals	26	5,429,687.10	—	3,240,600.00	—
Long term liabilities payable within one year	27,28	579,112.20	16,750,000.00	—	—
Total current liabilities		<u>669,209,237.69</u>	<u>597,454,425.11</u>	<u>488,432,658.56</u>	<u>487,156,350.95</u>
Long term liabilities:					
Long term loans	27	37,750,000.00	1,700,000.00	32,000,000.00	—
Long term payable	28	38,415,016.42	—	—	—
Specific payable	29	—	200,000.00	—	—
Total long term liabilities		<u>76,165,016.42</u>	<u>1,900,000.00</u>	<u>32,000,000.00</u>	<u>—</u>
Deferred tax credit					
Deferred tax credit	30	242,941.38	242,941.38	242,941.38	242,941.38
Total liabilities		<u>745,617,195.49</u>	<u>599,597,366.49</u>	<u>520,675,599.94</u>	<u>487,399,292.33</u>
Minority interests		<u>47,828,335.31</u>	<u>30,607,838.67</u>	<u>—</u>	<u>—</u>
Shareholders' fund					
Share capital	31	400,000,000.00	400,000,000.00	400,000,000.00	400,000,000.00
Capital reserve	32	399,529,593.29	399,511,301.04	399,529,593.29	399,511,301.04
Surplus reserve	33	142,375,533.63	133,349,797.59	142,275,136.61	133,249,400.57
including: statutory public welfare fund	33	46,871,737.44	42,358,869.42	46,821,538.93	42,308,670.91
Retained profits	34	56,919,754.06	18,262,946.55	55,413,738.53	19,310,794.36
Exchange reserve		2,119.42	2,120.03	—	—
Total shareholders' equity		<u>998,827,000.40</u>	<u>951,126,165.21</u>	<u>997,218,468.43</u>	<u>952,071,495.97</u>
Total liabilities and shareholders' equity		<u>1,792,272,531.20</u>	<u>1,581,331,370.37</u>	<u>1,517,894,068.37</u>	<u>1,439,470,788.30</u>

The notes form an integral part of the financial statements.

# **PROFIT AND LOSS ACCOUNT AND PROFITS DISTRIBUTION FOR THE PERIOD ENDED 30 JUNE 2002**

*Unit: RMB*

Item	Notes	The Group Six months ended 30.6.2002 (Accumulated) (Unaudited)	The Group Six months ended 30.6.2001 (Accumulated)	The Company Six months ended 30.6.2002 (Accumulated) (Unaudited)	The Company Six months ended 30.6.2001 (Accumulated)
1. Income from major operations	35	440,031,830.34	352,030,991.45	331,680,734.07	322,961,460.55
less: operating cost	36	300,083,831.05	258,447,620.74	224,561,320.21	240,290,885.22
sales tax and surcharge	37	3,991,760.49	1,748,444.74	3,282,608.93	1,558,548.63
2. Profit from major operations		135,956,238.80	91,834,925.97	103,836,804.93	81,112,026.70
add: profit from other operations		2,785,966.80	1,547,700.62	1,325,896.30	1,098,781.67
less: selling expenses		14,828,888.53	17,342,219.56	10,033,341.45	14,623,495.18
administrative expenses		61,247,575.14	31,280,008.78	40,539,382.99	24,170,980.57
financial expenses	38	8,376,198.67	1,309,658.09	5,452,365.76	1,145,953.51
3. Operating profit		54,289,543.26	43,450,740.16	49,137,611.03	42,270,379.11
add: investment income					
(less: loss)	39	(688,376.35)	(4,241,400.00)	4,114,093.31	(3,349,072.49)
non-operating income	40	4,041,439.81	606,447.83	150,002.89	428,726.53
less: non-operating expenses	41	178,981.34	1,861,230.92	75,575.16	666,627.06
4. Total profits		57,463,625.38	37,954,557.07	53,326,132.07	38,683,406.09
less: income tax	42	8,384,022.86	6,612,879.67	8,197,451.86	6,612,879.67
add: minority interests		(1,397,058.97)	1,013,496.23	—	—
5. Net profit for the year		47,682,543.55	32,355,173.63	45,128,680.21	32,070,526.42
add: retained profits at the beginning of the period	34	18,262,946.55	14,953,808.69	19,310,794.36	15,420,643.94
6. Distributable profits		65,945,490.10	47,308,982.32	64,439,474.57	47,491,170.36
less: statutory surplus reserve	34	4,512,868.02	3,207,052.64	4,512,868.02	3,207,052.64
statutory public welfare fund	34	4,512,868.02	3,207,052.64	4,512,868.02	3,207,052.64
7. Profits distributable to Shareholders		56,919,754.06	40,894,877.04	55,413,738.53	41,077,065.08
8. Retained profits carried forward		56,919,754.06	40,894,877.04	55,413,738.53	41,077,065.08

## **Supplementary information:**

Item	The Group 2002 (Accumulated)	The Group 2001 (Accumulated)	The Company 2002 (Accumulated)	The Company 2001 (Accumulated)
1. Profit from sale and disposal of investee companies	—	—	—	—
2. Loss arising from natural disaster	—	—	—	—
3. Increase / (decrease) in profit due to change in accounting policies	—	(11,813,200.00)	—	(8,333,200.00)
4. Increase / (decrease) in profit due to change in accounting estimate	—	—	—	—
5. Loss arising from debt restructuring	—	—	—	—
6. Others	—	—	—	—

*The notes from an integral part of the financial statements*

## 2002 Interim Report

### CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2002

Unit: RMB

Item	Notes	The Group		The Company	
		Six months ended 30.6.2002	Six months ended 30.6.2001	Six months ended 30.6.2002	Six months ended 30.6.2001
1. Cash Flows from Operating Activities					
Cash received from sales of goods or rendering of services		452,369,606.92	326,713,239.68	342,824,889.44	304,242,321.19
Rental received		—	—	452,918.20	328,918.00
Other cash received		10,387,678.15	10,898,308.20	5,572,359.35	6,385,000.12
Sub-total of cash inflows		462,757,285.07	337,611,547.88	348,850,166.99	310,956,239.31
Cash paid for goods and services		247,479,446.42	264,508,671.65	184,752,856.91	251,409,918.29
Cash paid for operating leases		205,886.68	234,040.70	—	—
Cash paid to and on behalf of employees		47,032,023.29	42,321,464.71	31,542,585.56	33,623,436.52
Taxes and surcharges paid		61,231,387.48	16,611,624.73	53,186,914.51	13,508,768.54
Other cash paid relating to operating activities	43	52,690,393.42	31,637,838.68	25,093,860.04	23,771,128.74
Sub-total of cash outflows		408,639,137.29	355,313,640.47	294,576,217.02	322,313,252.09
Net cash flows from operating activities		54,118,147.78	(17,702,092.59)	54,273,949.97	(11,357,012.78)
2. Cash Flow from Investing Activities					
Other cash received relating to investing activities		26,830,460.69	832,028.11	26,445,952.86	832,028.11
Net cash received from disposal of fixed assets, intangible assets and other long term assets		5,976,095.73	—	—	—
Sub-total of cash inflows		32,806,556.42	832,028.11	26,445,952.86	832,028.11
Cash paid to acquire fixed assets, intangible assets and other long term assets		55,414,635.12	60,545,789.51	43,570,686.54	57,446,535.98
Other cash paid relating to investing activities		3,675,000.00	—	64,445,000.00	—
Sub-total of cash outflows		59,089,635.12	60,545,789.51	108,015,686.54	57,446,535.98
Net cash flows from investing activities		(26,283,078.70)	(59,713,761.40)	(81,569,733.68)	(56,614,507.87)

**CASH FLOW STATEMENT (CONTINUED)**  
**FOR THE PERIOD ENDED 30 JUNE 2002**

Item	Notes	The Group		The Company	
		Six months ended 30.6.2002	Six months ended 30.6.2001	Six months ended 30.6.2002	Six months ended 30.6.2001
3. Cash Flows from Financing Activities					
Cash received from investment by others		618,210.95		—	—
Proceeds from borrowings		225,000,000.00	123,000,000.00	207,000,000.00	115,000,000.00
Other cash received relating to financing activities		—		—	—
Sub-total of cash inflows		<u>225,000,000.00</u>	<u>123,000,000.00</u>	<u>207,000,000.00</u>	<u>115,000,000.00</u>
Cash repayments of debentures		<u>238,889,999.49</u>		<u>175,000,000.00</u>	
Cash payments for distribution of dividends or profits and payments of interest expenses		8,258,228.86	13,037,972.86	5,900,232.86	12,514,495.36
Sub-total of cash outflows		<u>247,148,228.35</u>	<u>13,037,972.86</u>	<u>180,900,232.86</u>	<u>12,514,495.36</u>
Net cash flows from financing activities		<u>(21,530,017.40)</u>	<u>109,962,027.14</u>	<u>26,099,767.14</u>	<u>102,485,504.64</u>
4. Effect of Foreign Exchange Rate Changes on Cash		<u>(57,286.72)</u>	<u>615,980.72</u>	<u>(13,267.78)</u>	<u>51,377.86</u>
5. Net increase in Cash and Cash Equivalents		<u><u>6,247,764.96</u></u>	<u><u>33,162,153.87</u></u>	<u><u>(1,209,284.35)</u></u>	<u><u>34,565,361.85</u></u>

## 2002 Interim Report

### CASH FLOW STATEMENT(CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2002

Unit: RMB

Item	The Group		The Company	
	Six months ended 30.6.2002 (Unaudited)	Six months ended 30.6.2001	Six months ended 30.6.2002 (Unaudited)	Six months ended 30.6.2001
1. Reconciliation of Profit after taxation to Cash Flows from Operating Activities				
Net Profit for the year	47,682,543.55	32,355,173.63	45,128,680.21	32,070,526.42
Provision for bad debt or bad debt written off	4,534,819.97	430,512.00	2,670,000.00	430,512.00
Provision for diminution in value of long term investments	1,170,938.97	4,241,400.00	—	4,241,400.00
Provision for diminution in value of intangible assets	—	3,480,000.00	—	—
Provision for diminution in value of inventories	2,070,016.79	—	2,982,245.06	—
Provision for diminution in value of fixed assets	—	—	—	—
Depreciation of fixed assets	21,114,744.51	17,336,570.04	15,125,525.43	14,671,873.02
Amortisation of intangible assets	1,288,269.95	1,189,135.27	227,467.85	204,800.00
Amortisation of difference in equity investment	(1,170,000.00)	—	(1,170,000.00)	—
Amortisation of deferred expenses	174,556.44	—	—	—
Amortisation of deferred expenses (less: increase)	(434,610.70)	(919,417.66)	(386,986.84)	(182,528.56)
Increase in accruals (less: decreased)	4,952,899.79	2,292,272.86	3,240,600.00	1,210,202.93
Loss on disposal of fixed assets, intangible assets and other long term assets (less:income)	(112,635.90)	1,549,812.45	(32,873.73)	373,512.63
Financial expenses	8,315,515.58	2,421,992.14	5,913,500.64	2,463,117.50
Investment loss (less:income)	—	—	(2,944,093.31)	3,457,672.49
Contributions from minority interests	1,397,058.97	(1,013,496.23)	—	—
Decrease in inventories	16,995,852.48	(12,628,014.63)	24,311,286.76	19,802,482.58
Decrease in operating receivables (less: increase)	(42,464,366.95)	(83,058,059.35)	(38,827,109.71)	(75,883,177.37)
Increase in operating payables (less: decrease)	(11,397,455.67)	(10,636,002.37)	(1,964,292.39)	(14,217,406.42)
Others	—	—	—	—
Net cash flows from operating activities	54,118,147.78	(17,702,092.59)	54,273,949.97	(11,357,012.78)
2. Net increase in cash and cash Equivalents				
Cash at the end of the period	223,695,112.70	160,581,936.55	194,404,846.13	150,304,984.31
Less: Cash and bank balance at the beginning of the period	217,447,347.74	127,419,782.68	195,614,130.48	115,739,622.46
Net increase in cash and cash equivalents	6,247,764.96	33,162,153.87	(1,209,284.35)	34,565,361.85

The notes form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2002

### 1. General

Beiren Printing Machinery Holdings Limited (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 technological consultancy and technical support services related to the major operations.

### 2. Principal accounting policies, accounting estimate and basis of consolidation

#### Accounting System

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

#### Financial Year

The Company adopts the calendar year as its financial year i.e. from 1 January to 31 December .

#### 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. Except for exchange difference arising from specific foreign currency loans relating to acquisition or construction of fixed assets before it is capable of being put in use as planned are included in the cost of 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 items of financial statements denominated in foreign currencies are translated using the following exchange rates for recording: 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 profit 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 financial year ended 31 December. 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 principal 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 confirmed as unrecoverable.

A debtor who is dead and there is no estate for repayment and no obligatory guarantor. The related account receivable is confirmed as unrecoverable.

A debtor do not make repayment as agreed and there is obvious indication that the related account receivable 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 historical cost at acquisition. Historical 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 requisitioned.

### Provision for diminution in value of inventories

At the end of year, 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 all further costs to completion and costs to be incurred in selling during the normal course of business operation.

### Long term investments

(1) Long term equity investments

Long term equity 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 year's investment income is accounted for on basis of its proportionate share of profit or loss.

When the cost method is adopted, the amount of investment income recognised by the invested is limited to the amount received from the accumulated net profits which arise from the investee enterprise has accepted from the invested. The amount of profits or cash dividends declared to be distributed by the investee enterprise in excess of the above should be treated as recovery of investment cost, and reduce the carrying amount of investments accordingly.

(2) Accounting for long term investment in debt

The difference between the cost of long term investment in debts 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

Owing to continuous decline in market prices or change in the operation of investee company, the recoverable amounts of long term investment is lower than the book value of the long term investment. The difference between the recoverable amount and the book value of the long term investment is stated as provision for diminution in value of investment. The recoverable amount of long term investment represents the highest of the net proceeds from sale of the long term investment and the net present value of expected future cash flow arising from the holding and the disposal upon maturity of the long term 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 of acquisition. 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:—

	Estimated useful lives (years)	Annual rate
Buildings	40	2.425%
Plant and machinery	8-14	12.125%-6.929%
Electronic equipment, furniture & fixture	8	12.125%
Transportation equipment	8	12.125%

#### **Provision for diminution in value of fixed assets**

Fixed assets are stated at the lower of the book value and the recoverable amount. The difference between the recoverable amount and the book value is stated as provision for diminution in value of fixed assets. The recoverable amount of fixed assets represents the higher of the net proceeds from sale of fixed assets and the net present value of expected future cash flow arising from the continuing use of the assets and the disposal of the assets upon the end of their estimated useful lives.

#### **Construction in progress**

Construction in progress is stated at cost of construction.

The cost of construction includes all construction, expenditure, borrowing costs of specific loans directly related to the construction and eligible for capitalisation and other relevant expenses attributable to such projects. The cost of construction in progress will be transferred to fixed assets when the construction in progress is capable of being put in use as planned. No depreciation is provided on construction in progress.

Provision for diminution in value of construction in progress is made when construction has been suspended for a long period of time and the works will not be recommence within next three years; the project is obsolete either in its physical conditions or technology and has great uncertainty in its economic benefit to the enterprise; or other evidence indicates that there is diminution in value.

#### **Intangible assets**

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

#### **Provision for diminution in value of intangible assets**

Intangible assets are stated at the lower of the book value and the recoverable amount. At the end of the year, the intangible assets are reviewed to assess their ability of bringing future economic benefits to the enterprise. The difference between the recoverable amount and the book value is stated as provision for diminution in value of intangible assets. The recoverable amount of intangible assets represents the higher of the net proceeds from sale of intangible assets and the net present value of expected future cash flow arising from the continuing use of the assets and the disposal of the assets upon the end of their estimated useful lives.

#### **Pre-operating expenses**

Pre-operating expenses are charged to the profit and loss account in the month when production and operation commence.

#### **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.

When the long term deferred expenses cannot bring any benefits to the subsequent accounting periods, the remaining unamortised balance of each expenses are charged to the 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.

Revenue is recognised for use of the company's assets by others when economic benefits attributable to the transaction will flow into the Company and the amount of the revenue can be measured reliably.

#### **Income tax**

Income tax is accounted for using the tax liability method.

Income tax for the year is provided on the assessable income which is calculated on basis of the accounting profit adjusted in accordance with the relevant tax laws and regulations.

## 3. Taxation

### Value added tax

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

### Business tax

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. Details of subsidiaries and associated companies

The Company owns directly the following subsidiaries:

Name of the subsidiaries	Registered share capital	Percentage of equity held by the Company %	Nature of Business
Beiren Group Transportation Company	Rmb3,150,000	100.00	Transportation of general good for the Company and other parties outside the Group
Beijing Beiren Fuji Printing Machinery Company Limited (note 3)	US\$5,100,000	70.00	Manufacturing of printing machines and sale of self-manufactured products
Beijing Beiren Jing Yan Printing Machinery Factory	Rmb4,050,000	98.77	Manufacturing of printing machines and spare parts and 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 and sale of paper feeder machines and related accessories
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 to the Group
Beijing Beiren Yuxin Plastic Printing Company Limited	Rmb22,430,000	68.66	Printing, Binding, typesetting and film-setting of books and periodicals
Shanxi Beiren Printing Machinery Company Limited (note1)	Rmb1,500,000	84.18	Manufacturing, sell and maintenance of printing machinery, composite machinery, packaging machinery, construction machinery, electromechanical equipment and spare parts
Zhejiang Beiren Printing Machinery Operation and Sale Company Limited (note 2)	Rmb1,500,000	55	Sale, installation and testing of printing machines and related accessories and provision of technical consultancy services.
Hubei Beiren Printing Machinery Operation and Sale Company Limited (note 2)	Rmb1,500,000	51	Sale, installation and testing of printing machines and related accessories and provision of technical consultancy services.

note 1: On 11 January 2002, Shanxi Ministry of Finance issued the document Shan Cai Ban Ci [2002] No. 3 "Reply to the Issues in respect of the State-owned assets of Shanxi Huanggong Group Printing Machinery Company Limited" which approved the acquisition of the whole entity of Shanxi Huanggong Group Printing Machinery Company Limited ("Shanxi Printing Machinery") by the Company. With effective date as at 30 November 2001 and based on the audit report Xi Hui Shen Zi (2001) No. 1208 issued by Xian Xigema Certified Public Accountants Company Limited on 14 December 2002, the investment in Shangxi Printing Machinery with net asset value of Rmb23,410,000 (including operating assets of Rmb18,170,000 and non-operating assets of Rmb5,240,000) held by Shanxi Huanghe Construction Machinery Group Company Limited ("Shenxi Huanghe Group") will be transferred to the Company. When the Company acquires the equity interest in Shanxi Printing Machinery, the Company will be responsible for payment of all liabilities, employment of all staff and management of all resigned and retired staff of Shanxi Printing Machinery. On 17 January 2002, the Company and Shanxi Huanghe Group entered into an asset transfer agreement. On 22 January 2002, the Company injected capital of Rmb60,770,000 into Shanxi Printing Machinery. After the completion of the capital contribution, the registered capital of Shanxi Printing Machinery amounted to Rmb100,000,000, in which the Company holds 84.2% equity interest and China Huarong Asset Management Company holds 15.8% equity interest. The capital contribution were verified by Xian Xigema Certified Public Accountants Company Limited on 23 January 2002 and capital verification report Xi Hui Yan Zi (2002) No. 016 was issued. On 24 January 2002, Shanxi Printing Machinery changed its name to Shanxi Beiren Printing Machinery Company Limited.

note 2: Pursuant to the requirements of "Reply to the Request for Classification on the Scope of Preparing Consolidated Accounts" [Cai Hui Er Zi (1996) No.2] issued by the Accounting Bureau of the Ministry of Finance, the financial statements of these three subsidiaries have not been included in the consolidated accounts as the ratios of the total assets, sales income and net profit for the year of these subsidiaries as computed based on the formulae set out in the document are less than 10%,

note 3: Beijing Beiren Fuji Printing Machinery Company Limited owns directly the following subsidiary:

Name of subsidiary	Registered capital	Percentage of equity interest held by the Company %	Nature of business
Xian Beiren Beifu Printing Operation and Sale Company Limited (note 2)	Rmb1,500,000.00	51	Sale, installation and testing of printing machines and related accessories and provision of technical consultancy services

Except for the conditions as set out in note 2, the above subsidiaries have been consolidated.

Company owns directly the following associated companies:

Name of the associated companies	Registered share capital	Percentage of equity interest held by the Company %	Nature of business
Ninghai Beiren Xinhua Printing Joint Stock Company Limited	Rmb24,500,000	43.59	Printing and packing of books and other materials
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	Rmb2,000,000	45	Sale, installation and testing of printing machinery and related accessories and provision of technical consultancy services
Guangzhou Beiren Hengtong Printing Machinery Operation and Sale Company Limited	Rmb1,500,000	30	Wholesale and retail of printing machinery and related accessories and provision of after-sale services
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	Rmb700,000	49	Sale, installation and testing of printing machinery and related accessories and provision of technical consultancy services
Xian Beiren Beifu printing Machinery Operation and Sale Company Limited	Rmb 1,500,000	49	Sale installation and testing of printing machines and related accessories and provision of technical consultancy services

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Beijing Moni Automatic Systems Company Limited	(note 4)	Rmb7,500,00	49	Development, design, manufacture and sale of ink control system, printing apparatus, printing consumptions production as well as installation, testing and provision of technical consultancy and training for self-produced products
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note 4: Beijing Moni Automatic Systems Company is a Sino-foreign joint venture jointly established in Beijing by the Company and Monigraf in Italy on 19 December 2001. The Company contributed Rmb3,675,000 in cash, representing 49% of the registered capital of such Company whereas Monigraf in Italy contributed technological knowhow valued at Rmb 1,500,000 and equipment in the sum of Rmb 32,5000 and cash equivalent to Rmb 2,000,000, totalling Rmb3,825,000, representing 51% of the registered capital of such company.

In the Company's accounts, the results of the investments in the above subsidiaries and associated companies are accounted for using the equity method.

### 6. Cash and Bank Balances

	Closing balance			Opening balance		
	Amount in foreign currency	Exchange rate	Rmb	Amount in foreign currency	Exchange rate	Rmb
Cash						
Renminbi			57,312.76			18,196.39
Foreign currency						
- Japanese Yen	148,781.05	0.063005	9,373.95	65,351.96	0.063005	4,117.50
- Hong Kong dollars	1.060600	5,711.12	2,065.70	1.060600	2,190.88	
			<u>72,397.83</u>			<u>24,504.77</u>
Bank balance						
Renminbi			208,743,384.16			212,021,438.71
Foreign currency						
- Hong Kong dollars	11,839,816.86	1.060600	12,557,309.76	4,084,871.78	1.060600	4,332,415.01
- US dollars	36,436.58	8.276600	301,571.01	36,433.94	8.276600	301,552.79
- Japanese yen	22,263,630.24	0.063005	1,402,720.02	8,649,255.46	0.063005	544,946.34
			<u>223,004,984.95</u>			<u>217,200,352.85</u>
Other cash and bank balances						
Renminbi			617,729.92			222,490.12
			<u>223,695,112.70</u>			<u>217,447,347.74</u>

### 6. Bills Receivable

	Closing balance Rmb	Opening balance Rmb
Bank acceptance notes	<u>14,509,500.00</u>	<u>9,265,070.28</u>

As at the balance sheet date, the Company's bills receivable have not been pledged.

## 7. Accounts receivable

The aging of accounts receivable is analysed as follows:

	Closing balance				Opening balance			
	Amount	Ratio	Bad Debt	Provision for Net amount	Amount	Ratio	Bad Debt	Provision for Net amount
	Rmb	(%)	Rmb	Rmb	Rmb	(%)	Rmb	Rmb
Within 1 year	117,860,353.63	60.75	—	117,860,353.63	117,226,924.30	88.95	—	117,226,924.30
1 year - 2 years	54,710,690.22	28.20	5,731,102.92	48,979,587.30	4,403,845.55	3.34	1,051,386.41	3,352,459.14
2 year - 3 years	6,072,498.55	3.13	1,248,374.06	4,824,124.49	3,990,584.52	3.03	3,189,738.82	800,845.70
Over 3 years	15,365,537.85	7.92	6,179,524.28	9,186,013.57	6,163,074.13	4.68	6,163,074.13	—
	<u>194,009,080.25</u>	<u>100.00</u>	<u>13,159,001.26</u>	<u>180,850,078.99</u>	<u>131,784,428.50</u>	<u>100.00</u>	<u>10,404,199.36</u>	<u>121,380,229.14</u>

The five largest accounts receivable are as follows:

Total amount of the five largest accounts receivable Rmb	Percentage of the total value of the accounts receivable
<u>63,858,177.07</u>	<u>33%</u>

The balance of the accounts receivable does not contain any amounts due from shareholders who hold more than 5% of the Company's shares.

## 8. Other receivables

The aging of other receivables is analysed as follows:

	Closing balance				Opening balance			
	Amount	Ratio	Bad Debt	Provision for Net amount	Amount	Ratio	Bad Debt	Provision for Net amount
	Rmb	(%)	Rmb	Rmb	Rmb	(%)	Rmb	Rmb
Within 1 year	20,659,808.60	52.87	—	20,659,808.60	12,150,599.23	46.28	—	12,150,599.23
1 year - 2 years	2004,460.03	5.13	690,941.55	1,313,518.48	746,249.77	2.84	237,501.58	508,748.19
2 years - 3 years	2,981,315.03	7.63	395,091.92	2,586,223.11	232,370.29	0.88	126,185.15	106,185.14
Over 3 years	13,433,508.19	34.37	5,861,096.83	7,572,411.36	13,127,688.12	50.00	4,803,425.50	8,324,262.62
	<u>39,079,091.85</u>	<u>100.00</u>	<u>6,947,130.30</u>	<u>32,131,961.55</u>	<u>26,256,907.41</u>	<u>100.00</u>	<u>5,167,112.23</u>	<u>21,089,795.18</u>

The five largest other receivables are as follows:

Total amount of the five largest other receivables Rmb	Percentage of the total value of other receivables %
<u>2,890,072.57</u>	<u>7.40%</u>

Other receivables due from shareholders who hold more than 5% of the Company's shares are as follows:

Name of shareholders	Closing balance Rmb	Opening balance Rmb
Beiren Group Corporation	<u>—</u>	<u>370,823.71</u>

## 9. Provision for Bad Debts

	Rmb
Opening balance	15,571,311.59
Provision for the year	4,534,819.97
Written off during the year	—
Balance at end of the year	<u>20,106,131.56</u>

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### 10. Prepayment

The aging of prepayment is analysed as follows:

	Closing balance		Opening balance	
	Rmb	%	Rmb	%
Within 1 year	16,598,551.14	93.98	15,154,963.23	89.87
1 year - 2 years	507,405.94	2.87	1,671,572.30	9.91
2 years - 3 years	63,264.40	0.36	23,821.99	0.14
Over 3 years	492,378.71	2.79	12,834.92	0.08
Total	<u>17,661,600.19</u>	<u>100.00</u>	<u>16,863,192.44</u>	<u>100.00</u>

The balance of prepayment does not contain any amounts due from shareholders who hold more than 5% of the Company's shares.

### 11. Inventories and provision for diminution in value of inventories

	Closing balance			Opening balance		
	Amount	Provision for diminution	Net balance	Amount	Provision for diminution	Net balance
	Rmb	in value	Rmb	Rmb	in value	Rmb
Raw materials	86,990,233.38	3,180,386.46	83,809,846.92	81,139,550.49	2,059,191.45	79,080,359.04
Work in progress	226,166,281.47	8,441,378.00	217,724,903.47	204,436,410.72	7,829,648.00	196,606,762.72
Finished goods	171,746,992.26	10,041,513.05	161,705,479.21	171,789,870.89	8,347,404.59	163,442,466.30
Semi-finished goods	47,762,894.30	—	47,762,894.30	41,158,371.49	1,357,016.68	39,801,354.81
Low value consumables	898,865.93	—	898,865.93	53,474.51	—	53,474.51
	<u>533,565,267.34</u>	<u>21,663,277.51</u>	<u>511,901,989.83</u>	<u>498,577,678.10</u>	<u>19,593,260.72</u>	<u>478,984,417.38</u>

Movement of the provision for diminution in value of inventories is as follows:

	Rmb
Opening balance	19,593,260.72
Provision for the year	3,732,925.01
Written off during the year	(1,662,908.22)
Closing balance	<u>21,663,277.51</u>

The provision for diminution in value of inventories is based on the excess of the cost over the net reliable value of inventories on individual basis.

### 12. Deferred Expenses

Type	30.6.2002	31.12.2001	Reason for unamortised balance
	Rmb	Rmb	
Insurance on assets of enterprises	191,465.84	90,356.50	The period of amortisation has not expired
Newspapers subscription	63,655.60	20,306.28	The period of amortisation has not expired
Moulds and tools	249,629.55	367,009.02	The period of amortisation has not expired
Others	955,520.46	414,656.28	The period of amortisation has not expired
	<u>1,460,271.45</u>	<u>892,328.08</u>	

## 13. Long term investments

Item	31.12.2001			Addition during the period	Decrease during the period	30.6.2002		
	Amount of investment	Provision for diminution in value	Net book value			Amount of investment	Provision for diminution in value	Net book value
	Rmb	Rmb	Rmb	Rmb	Rmb	Rmb	Rmb	Rmb
Long term equity investment	15,470,000.38	—	15,470,000.38	3,675,000.00	687,437.38	20,836,943.92	(2,379,380.92)	18,457,563.00
Including: investment in subsidiaries	3,090,000.00	—	3,090,000.00	—	94,411.88	2,995,588.12	—	2,995,588.12
investment in associated companies	12,380,000.38	—	12,380,000.38	3,675,000.00	593,025.50	17,841,355.80	(2,379,380.92)	15,461,974.88
Long term investment in debts	32,727,000.00	(8,333,200.00)	24,393,800.00	20,000.00	—	32,747,000.00	(8,333,200.00)	24,413,800.00
Including: Other debts	32,727,000.00	(8,333,200.00)	24,393,800.00	20,000.00	—	32,747,000.00	(8,333,200.00)	24,413,800.00
Total	48,197,000.38	(8,333,200.00)	39,863,800.38	3,695,000.00	687,437.38	53,583,943.92	(10,712,580.92)	42,871,363.00
Difference in consolidation	—	—	—	(23,410,000.00)	(1,170,000.00)	(22,240,000.00)	—	(22,240,000.00)
	<u>48,197,000.38</u>	<u>(8,333,200.00)</u>	<u>39,863,800.38</u>	<u>(19,715,000.00)</u>	<u>(482,562.62)</u>	<u>31,343,943.92</u>	<u>(10,712,580.92)</u>	<u>20,631,363.00</u>

## Long term equity investment

(1) Changes in the equity investment during the year are as follows:

Name of investee company	Period of investment	Amount of investment	Amount of increase or decrease in equity during the period	Accumulated increase or decrease amount	Percentage of the registered capital of the investee company	Provision for diminution in value	Net book value at the end of the year
			Rmb	Rmb	Rmb		Rmb
Ningxin Beiren Xinhua Printing Joint Stock Company Limited	11.10.2001 - 11.10.2021	10,680,000.00	7,000.38	7,000.38	43.59%	—	10,687,000.38
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	23.3.2001 - 22.3.2004	900,000.00	—	—	45%	—	900,000.00
Guangzhou Beiren Hengtong Printing Machinery Company Limited	29.4.2001 - 25.4.2004	450,000.00	—	—	30%	—	450,000.00
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	23.4.2001 - 13.4.2003	343,000.00	—	—	49%	—	343,000.00
Xian Beiren Beifu Printing Machinery Operation and Sale Company Limited	3.7.2001 - 3.7.2004	1,500,000.00	—	—	85%	—	1,500,000.00
Zhejiang Beiren Printing Machinery Operation and Sale Company Limited	16.3.2001 - 16.3.2004	825,000.00	—	—	55%	—	825,000.00

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Hubei Beiren Printing Machinery Operation and Sale Company Limited	2.3.2001 - 2.3.2004	765,000.00	—	—	51%	—	765,000.00
Beijing Moni Automatic Systems Company Limited	19.12.2001 18.12.2021	3,675,000.00	—	—	49%	—	3,675,000.00
Tianjin Jinqin Printing Board Plant		2,279,380.92	—	—		2,279,380.92	—
Ying Shen Associated Company		50,000.00	—	—		50,000.00	—
Xian Printing Joint Development Company		50,000.00	—	—		50,000.00	—
		<u>21,517,380.92</u>	<u>(687,437.38)</u>	<u>(680,437.00)</u>		<u>2,379,380.92</u>	<u>18,457,563.00</u>

- (2) Difference in long term investment in debts

Name of investee company	Initial investment Rmb'000	Incurred during the period Rmb'000	Period of amortisation	Amortisation during the period Rmb	Amortisation balance Rmb	Reasons for unamortised balance
Shanxi Beiren Printing Machinery Company Limited	23,410,000.00	23,410,000.00	10 years	1,170,000.00	22,240,000.00	note
note: Difference in equity investment arising from the acquisition of Shanxi Huanggong Group Printing Machinery Limited is the difference between the investment cost of Rmb60,770 and the equity interest of Rmb84,180 held by the owner of the investee company.						

### Long term investment in debts

- (1) Details of investment in debentures are as follows:

Type of debenture	Face value Rmb	Annual interest rate %	Purchase price Rmb	Maturity date	Opening balance	Interest receivable	Closing balance
Electricity debenture	20,000.00	Interest free	20,000.00	28.9.2002	20,000.00	—	20,000.00

- (2) Investment in other debts

Name of investee company	Project	Term of investment	Amount of investment Rmb	Ratio of return %	Provision for diminution in value Rmb
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

- (3) Provision for diminution in value of long term investment

	Opening balance	Addition during the period	Written back during the period	Closing balance
Provision for diminution in value of long term investment	8,333,200.00	—	—	8,333,200

Note: Investment in other debts was originally the deposit for purchase of four flats from South-east Asia Investment and Development Company Limited ("SEADCL") in Macau. Pursuant to the contract, the Company does not hold the title and has 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 31 December 1998, the accumulated interest income received by the Company from SEAIIDCL amounted to HK\$18,750,000, equivalent to Rmb20,117,692.50.

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 SEAIIDCL subsequently entered into a supplementary agreement. Pursuant to the agreement, SEAIIDCL will complete the procedures for the transfer of the title of the properties by the end of August 2001. If the procedures for the transfer of the title cannot be completed due to the fault of SEAIIDCL, the supplementary agreement will be cancelled and the original agreement will continue to be effective so that SEAIIDCL must be responsible for payment of the original investment amount and the outstanding balance of the returns.

Based on the asset valuation report issued by Yong Li Hong Valuation Consultancy Company Limited on 8 July 2001, the value of the above properties amounted to HK\$23,000,000, equivalent to Rmb24,400,000. In accordance with the requirement of "Accounting Regulations for Business Enterprises", the Company made a provision for diminution in value of long term investment amounting to Rmb8,333,200 based on the difference between the recoverable amount and the book value at the end of the year.

During the period from 1999 to 31 December 2001, the accumulated amount recovered by the Company from SEAIIDCL amounted to Rmb4,091,800.00. The difference between the provision for diminution in value of long term investment and the accumulated amount recovered amounting to Rmb4,241,400.00 was accounted for in the profit and account for the year.

As at 31 December 2001, SEAIIDCL has not completed the procedure for the transfer of the title of properties. Accordingly, the Company and SEAIIDCL entered into another supplementary agreement on 1 January 2002. The Company agreed to accept the title of whole flat at 18th Floor, South-east Asia Commercial Centre, South-east Asia Plaza, Macau held by SEAIIDCL as compensation for the title of the original properties. On 1 February 2002, the Company and SEAIIDCL entered into an agreement for implementation of the undertaking for sale and purchase contract. Pursuant to the agreement, SEAIIDCL will assist the Company in the procedure of preparing title deed within 1 month after signing the agreement and complete the procedure within 6 months. All expenses relating to the title deed will be paid by the Company. Based on the asset valuation report issued by Yong Li Hong Valuation Consultancy Company Limited on 18 January 2002, the value of the properties amounted to HK\$24,000,000, equivalent to Rmb25,454,000.00.

#### 14. Fixed assets and Accumulated Depreciation

	Buildings Rmb	Plant and machinery Rmb	Furniture, fixture and equipment Rmb	Motor vehicles Rmb	Total Rmb
<b>Cost</b>					
Opening balance	323,532,921.48	459,311,722.55	51,612,330.11	28,680,523.60	863,137,497.74
Additions	56,787,899.56	98,380,586.09	3,432,347.87	3,585,566.58	162,186,400.10
Transfer from construction in progress	230,000.00	11,161,258.00	1,292,046.73	—	12,683,304.73
Reduction	(28,252,167.34)	(16,911,134.41)	(63,690.00)	(1,022,365.07)	(46,249,356.82)
Closing balance	352,298,653.70	551,942,432.23	56,273,034.71	31,243,725.11	991,757,845.75
<b>Accumulated depreciation</b>					
Opening balance	83,147,530.39	236,342,789.79	29,757,603.19	17,073,973.55	366,321,896.92
Additions	35,890,154.72	76,396,555.36	3,360,449.33	1,851,435.70	117,498,595.11
Reductions	(9,730,848.07)	(9,284,894.60)	(38,194.20)	(817,299.21)	(19,871,236.08)
Closing balance	109,306,837.04	303,454,450.55	33,079,858.32	18,108,110.04	463,949,255.95
<b>Provision for diminution in value</b>					
Opening balance and closing balance	—	31,689,714.46	—	—	31,689,714.46
<b>Net book values</b>					
Opening balance	240,385,391.09	191,279,218.30	21,854,726.92	11,606,550.05	465,125,886.36
Closing balance	242,991,816.66	216,798,267.22	23,193,176.39	13,135,615.07	496,118,875.34

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Due to adjustment of product mix, certain machinery has been sealed and no depreciation is provided since then. At 30 June 2002, the net book value of the sealed fixed asset totalled Rmb26,278,204.04. The Company made a provision for diminution in value of the sealed fixed asset amounting to Rmb9,971,871.98.

Besides the above sealed fixed assets, the Company made a provision for diminution in value of fixed assets, amounting to Rmb21,717,842.48 based on the difference between the recoverable amount and the book value for the period in accordance with "Accounting Regulations for Business Enterprises". The Company has made provision amounting to Rmb31,689,714.46.

### 15. Construction in Progress

	Opening balance Rmb	Additions during the period Rmb	Transferred to fixed assets upon completion during the period Rmb	Other reduction during the period Rmb	Closing balance Rmb
Construction in progress	136,621,135.48	47,646,203.29	(12,683,304.73)	(258,182.00)	171,325,852.04
Less: Provision for diminution in value of construction in progress	(8,092,659.97)	—	—	—	(8,092,659.97)
	<u>128,528,475.51</u>	<u>47,646,203.29</u>	<u>(12,683,304.73)</u>	<u>(258,182.00)</u>	<u>163,233,192.07</u>

Project name	Budget amount Rmb	Opening balance Rmb	Additions during the period Rmb	Transferred to fixed assets upon completion during the period Rmb	Other reductions during the period Rmb	Provision for diminution in value Rmb	Closing balance Rmb	Source of funds Rmb	Progress
Equipment renovation	26,000,000.00	18,272,156.73	7,152,559.10	(11,697,749.73)	(258,182.00)	—	13,468,784.10	Self- financed	95%
Land use rights	73,060,000.00	60,488,403.60	33,231,832.16	(527,055.00)	—	—	93,193,180.76	Self- financed	95%
Moulding workshop	39,000,000.00	36,158,183.96	1,435,643.30	—	—	—	37,593,827.26	Self- financed	95%
Workshop improvements	15,600,000.00	12,834,407.22	5,466,779.52	—	—	—	18,301,186.74	Self- financed	92%
Environmental protection	810,000.00	775,324.00	359,389.21	(458,500.00)	—	—	676,213.21	Self- financed	96%
	<u>154,470,000.00</u>	<u>128,528,475.51</u>	<u>47,646,203.29</u>	<u>(12,683,304.73)</u>	<u>(258,182.00)</u>	<u>—</u>	<u>163,233,192.07</u>		

Note:

- (1) During the year, there was no interest capitalised.
- (2) In accordance with "Accounting Regulations for Business Enterprises", the Company carried out a review of all construction in progress. As at 30 June 2002, the cost of construction in progress which is suspended for a long term and is not expected to restart work in three years amounted to Rmb8,272,659.97. Accordingly, the Company made a provision for diminution in value amounting to Rmb8,092,659.97 based on the difference between the recoverable amount and the book value and prior year adjustment was made.

### 16. Intangible Assets

	Opening balance Rmb	Additions during the period Rmb	Amortised during the period Rmb	Closing balance Rmb
Intangible assets	33,130,982.69	49,921,026.43	1,288,269.95	81,763,739.17
Less: Provision for diminution in value of intangible assets (note(1))	(3,480,000.00)	—	—	(3,480,000.00)
	<u>29,650,982.69</u>	<u>49,921,026.43</u>	<u>1,288,269.95</u>	<u>78,283,739.17</u>

Type	Original Amount Rmb	Opening balance Rmb	Additions during the period Rmb	Amortised during the period Rmb	Provision for diminution in value Rmb	Closing balance Rmb	Remaining amortisation period
Imported sales network (note(1))	4,350,000.00	—	—	—	—	—	—
Technical knowhow	8,681,599.13	3,227,322.15	2,905,416.67	518,976.60	—	5,613,762.22	5-14 years
Land use right (note(2))	77,780,366.30	26,423,660.54	47,015,609.76	769,293.35	—	72,669,976.95	42-49 years
	<u>90,811,965.43</u>	<u>29,650,982.69</u>	<u>49,921,026.43</u>	<u>1,288,269.95</u>	<u>—</u>	<u>78,283,739.17</u>	

Notes:

- (1) The imported sales network was contributed into a subsidiary upon its establishment. In accordance with "Accounting Regulations for Business Enterprises", provision for diminution in value on the whole amount of the intangible asset was made as the sales network was replaced by other sales networks and the economic benefit and efficiency of the intangible asset diminished substantially.
- (2) The additions of land use right during the period represent the cost of acquisition of further land use right from Shanxi Beiren Printing Machinery Company Limited by the Company during the period.

Changes in the provision for diminution in value of intangible assets are as follows:

	Rmb
Opening balance	3,480,000.00
Provision for the period	—
Written back during the period	—
Closing balance	<u>3,480,000.00</u>

17. Long term deferred expenses

Type	Opening balance Rmb	Addition during the period Rmb	Amortised during the period Rmb	Closing period Rmb	Remaining amortisation period
Land development cost	51,108,000.00	—	360,000.00	50,748,000.00	—
Repair to factory	1,131,845.19	89,558.17	174,556.44	1,046,846.92	2-4 year
	<u>52,239,845.19</u>	<u>89,558.17</u>	<u>534,556.44</u>	<u>51,794,846.92</u>	

18. Short Term Loan

Type of loan	Closing balance Rmb	Opening balance Rmb
By guarantee	244,000,000.00	246,100,000.00
Secured bank loan	31,505,000.00	—
Credit banking facilities	1,000,000.00	1,000,000.00
	<u>276,505,000.00</u>	<u>247,100,000.00</u>

The balance as at 30 June 2002 includes Rmb244,000,000 guaranteed by Beiren Group Corporation.

19. Bills Payable

Type of loan	Closing balance Rmb	Opening balance Rmb
Acceptance for presentation of bills by bank	<u>2,800,000.00</u>	<u>—</u>

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### 20. Accounts Payable

	Closing balance		Opening balance	
	Amount <i>Rmb</i>	Ratio %	Amount <i>Rmb</i>	Ratio %
Within 1 year	124,649,661.98	96.61	74,233,889.17	71.70
1-2 years	787,867.74	0.61	29,302,904.63	28.30
2-3 years	3,588,796.50	2.78	—	—
	<u>129,026,326.22</u>	<u>100.00</u>	<u>103,536,793.80</u>	<u>100.00</u>

The balance of the accounts payable does not contain any amounts due to shareholders who hold more than 5% of the share capital of the Company

### 21. 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.

### 22. Dividends payable

Name of investor	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
Beiren Group Corporation	30,000,000.00	30,000,000.00
PRC public shares	6,000,000.00	6,000,000.00
Hong Kong public shares	12,000,000.00	12,000,000.00
	<u>48,000,000.00</u>	<u>48,000,000.00</u>

### 23. Taxes payables

	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
Income tax	4,129,624.87	4,181,083.49
Value added tax	12,021,397.65	17,322,368.04
Business tax	10,274.32	27,040.04
Urban maintenance and construction tax	884,893.90	1,170,103.77
Land use tax	(3,477.55)	—
Real estate tax	(50,004.61)	—
Individual income tax	199,107.63	551,051.93
Tariff	(5,131.62)	—
	<u>17,186,684.59</u>	<u>23,251,647.27</u>

### 24. Sundry payables

Nature	Basis of charges	Closing balance <i>Rmb</i>	Opening balance <i>Rmb</i>
Educational surcharge	3% of value added tax and business tax payable	405,520.45	516,673.47
Staff housing fund		708,410.18	—
Others		—	7,160.79
		<u>1,113,930.63</u>	<u>523,834.26</u>

**25. Other payables**

The aging of other payables is analysed as follows:

	Closing balance		Opening balance	
	Amount	Ratio	Amount	Ratio
	<i>Rmb</i>	%	<i>Rmb</i>	%
Within 1 year	37,037,753.69	29.49	22,515,409.89	20.40
1 year - 2 years	82,945,034.18	66.05	84,638,545.89	76.69
2 years - 3 years	4,001,023.26	3.19	1,538,050.63	1.40
Over 3 years	1,593,611.01	1.27	1,668,412.89	1.51
	<u>125,577,422.14</u>	<u>100.00</u>	<u>110,360,419.30</u>	<u>100.00</u>

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

Name of Shareholders	Closing balance	Opening balance
	<i>Rmb</i>	<i>Rmb</i>
Beiren Group Corporation	<u>88,266,627.28</u>	<u>78,266,627.28</u>

As at 30 June 2002, the balance of payables due from the Company to Beiren Group Corporation as the consideration for the acquisition of No.4 Printing Machinery Plant amounted to Rmb78,266,627.28. The Company was granted with a loan of Rmb 10,000,000 with respect to advance payment for compensation for demolition by Beiren Group Corporation during the first half of 2002. The sum of these two amounts was Rmb88,266,627.28

**26. Accruals**

	30.6.02	31.12.01
Audit fee	2,215,000.00	—
Accrual expenses	1,839,092.38	—
Interest	343,099.91	—
Maintenance fee	473,015.69	—
Others	559,479.12	—
	<u>5,429,687.10</u>	<u>—</u>

**27. Long term loans**

Name of lender	30.6.02 <i>Rmb</i>	31.12.01 <i>Rmb</i>	Period of loans	Interest	Terms of loans
				rate per annum %	
China Industrial and Commercial Bank	32,000,000.00	4,700,000.00	22.1.2002 - 3.11.2004	interest free	Unsecured and used as current fund
China Industrial and Commercial Bank	5,750,000.00	11,260,000.00	11.9.1998 - 10.9.2004	8.01	Secured by fixed asset and used for technological renovation
China Industrial and Commercial Bank	—	2,490,000.00			
	<u>37,750,000.00</u>	<u>18,450,000.00</u>			
Less: Amounts repayable within one year	<u>—</u>	<u>(16,750,000.00)</u>			
Amounts repayable after one year	<u>37,750,000.00</u>	<u>1,700,000.00</u>			
Types of loans repayable within one year:					
Secured loans	<u>—</u>	<u>16,750,000.00</u>			

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### 28. Long Term Payables

Type of loan	Term	Original amount <i>Rmb</i>	Interest rate	Interest accruals <i>Rmb</i>	Closing balance <i>Rmb</i>
Beijing Plastic Printing Factory	2004-2007	29,550,000.00	note Interest free	—	29,550,000.00
Staff housing fund		9,444,128.62	Interest free	—	9,444,128.62
		<u>38,994,128.62</u>			<u>38,994,128.62</u>
Less: Long term liabilities due within one year		(579,112.20)			(579,112.20)
		<u>38,415,016.42</u>			<u>38,415,016.42</u>

note: Beijing Plastic Printing Factory contributed its net assets to Yuxin in December as its long term investment therein including a long term loan of Rmb 29,550,000. In 2002, Beijing Yuxin and Plastic Printing Factory reached an agreement upon negotiations that Beijing Plastic Printing Factory agreed to undertake the obligations of repaying the principal and interest thereon. Beijing Yuxin will repay the principal to Beijing Plastic Printing Factory by instalments on a monthly basis during 2004 to 2007

### 29. Specific Payables

	30.6.2002 <i>Rmb</i>	31.12.2001 <i>Rmb</i>
Subsidy to funds for rural co-operation production associations	—	200,000.00
	<u>—</u>	<u>200,000.00</u>

### 30. Deferred tax credit

	Closing balance and opening balance <i>Rmb</i>
Deferred tax credit	242,941.38
	<u>242,941.38</u>

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 credit.

### 31. Share capital

	Closing balance and opening balance <i>(Share)</i>
A. Not yet listed	
1. Promoter's legal person shares	250,000,000.00
State-owned legal person shares	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 number of shares	400,000,000.00
	<u>400,000,000.00</u>

### 32. Capital Reserve

	Opening balance <i>Rmb</i>	Additions during the period <i>Rmb</i>	Reduction during the period <i>Rmb</i>	Closing balance <i>Rmb</i>
Share Premium	398,134,633.19	—	—	398,134,633.19
Capital reserve on shares	1,376,667.85	18,292.25	—	1,394,960.10
	<u>399,511,301.04</u>	<u>18,292.25</u>	<u>—</u>	<u>399,529,593.29</u>

**33. Surplus Reserve**

	Statutory Surplus reserve <i>Rmb</i>	Discretionary surplus reserve <i>Rmb</i>	Statutory public welfare fund <i>Rmb</i>	Total <i>Rmb</i>
Opening balance	48,011,218.00	42,979,710.17	42,358,869.42	133,349,797.59
Additions during the period	4,512,868.02	—	4,512,868.02	9,025,736.04
Closing balance	<u>52,524,086.02</u>	<u>42,979,710.17</u>	<u>46,871,737.44</u>	<u>142,375,533.63</u>

**34. Retained Profits**

Item	Appropriation Ratio	Amount <i>Rmb</i>
Retained profits brought forward		18,262,946.55
Add: Net profits for the year		47,682,543.55
Less: Transfer to statutory surplus reserve	10% net profits of the Company in 2001	4,512,868.02
Transfer to statutory public welfare fund	10% net profits of the Company in 2001	4,512,868.02
Retained profits carried forward		<u>56,919,754.06</u>

**35. Income From Major Operations**

	Jan-June 2002 (Accumulated) <i>Rmb</i>	Jan-June 2001 (Accumulated) <i>Rmb</i>
Local sales		
Sales of printing machines		
Sheet-fed offset printing machines	302,717,665.22	212,941,787.84
Web-fed offset printing machines	41,149,657.92	88,582,943.26
Intrusion printing machines	53,601,511.72	—
Pressing machines	—	1,770,085.47
Form printing machines	27,145,299.12	23,917,948.71
	<u>424,614,133.98</u>	<u>327,212,765.28</u>
Sale of spare parts	8,960,124.53	23,107,197.54
Printing operations	5,202,813.04	—
Export sales		
Sale of printing machines	1,254,758.79	1,711,028.63
	<u>440,031,830.34</u>	<u>352,030,991.45</u>

**Sales revenue from the five largest customers****Percentage of total sales revenue**  
*Rmb*

<u>115,051,900.00</u>	<u>26.15%</u>
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### 36. Operation Cost

	Jan-June 2002 (Accumulated) <i>Rmb</i>	Jan-June 2001 (Accumulated) <i>Rmb</i>
Local sales		
Cost of printing machines sold		
Sheet-fed offset printing machines	195,006,334.75	150,369,874.45
Web-fed offset printing machines	31,027,459.59	67,099,766.27
Intrusion printing machines	40,420,268.84	—
Pressing machines	—	3,343,621.77
Form printing machines	19,859,046.75	18,637,768.14
	<u>286,313,109.93</u>	<u>239,451,030.63</u>
Cost of spare parts sold	8,768,571.62	17,918,514.97
Cost of printing operations	3,669,128.73	—
Export sales		
Cost of printing machines sold	1,333,020.77	1,078,075.14
	<u><u>300,083,831.05</u></u>	<u><u>258,447,620.74</u></u>

### 37. Sales Tax and Surcharge

Item of revenue	Type of tax	Tax rate
Sales of printing machinery and the related accessories	City Construction Tax	5-7% on value-added tax and business tax paid
	Business Tax	5% on taxable income
	Educational surcharge	3% on value-added tax and business tax paid

### 38. Financial Expenses

	Jan-June 2002 (Accumulated) <i>Rmb</i>	Jan-June 2001 (Accumulated) <i>Rmb</i>
Interest expenses	8,739,457.37	3,166,154.56
Less: Interest income	590,573.22	1,275,989.17
Exchange loss	163,185.96	417,117.65
Less: Exchange income	106,041.80	1,024,491.15
Others	170,170.36	26,866.20
	<u><u>8,376,198.67</u></u>	<u><u>1,309,658.09</u></u>

### 39. Investment Income

	Jan-June 2002 (Accumulated) <i>Rmb</i>	Jan-June 2001 (Accumulated) <i>Rmb</i>
Loss on provision for diminution in value of long term investments	(1,170,938.97)	(4,241,400.00)
Income recognised using equity method	(687,437.38)	—
Amortisation of difference in equity investment	1,170,000.00	—
	<u><u>(688,376.35)</u></u>	<u><u>(4,241,400.00)</u></u>

**40. Investment Income**

<b>Item</b>	<b>Jan-June 2002 (Accumulated) <i>Rmb</i></b>	<b>Jan-June 2001 (Accumulated) <i>Rmb</i></b>
Net income from disposal of fixed assets	247,665.45	410,803.53
Penalty income	4,110.00	11,721.30
Compensation for demolition	3,214,918.75	—
Others	574,745.61	183,923.00
	<u>4,041,439.86</u>	<u>606,447.83</u>

**41. Non-operating Expenses**

<b>Item</b>	<b>Jan-June 2002 (Accumulated) <i>Rmb</i></b>	<b>Jan-June 2001 (Accumulated) <i>Rmb</i></b>
Net loss on disposal of fixed assets	113,286.07	1,816,989.65
Loss on physical stock taking	—	—
Penalty expenses	24,990.81	27,937.23
Donations	20,007.98	—
Others	20,696.48	16,304.04
	<u>178,981.34</u>	<u>1,861,230.92</u>

**42. Income Tax**

<b>Item</b>	<b>Jan-June 2002 (Accumulated) <i>Rmb</i></b>	<b>Jan-June 2001 (Accumulated) <i>Rmb</i></b>
Income tax of the Company	8,197,451.86	6,612,879.67
Income tax of subsidiaries	186,571.00	—
	<u>8,384,022.8</u>	<u>6,612,879.67</u>

**43. Other Cash Paid Relating to Operating Activities**

	<b>Amount <i>Rmb</i></b>
Agency commission paid	1,475,320.40
Payment for trademark fee	2,687,013.69
Audit fee	1,361,854.50
Installation and testing fee	3,029,211.18
Repairs and maintenance	1,825,518.39
Advertising, promotion and exhibition	1,403,605.89
Transportation fee	1,404,489.91
Research and development	15,444,071.07
Others	24,059,308.40
	<u>52,690,393.43</u>

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### 44. Related Parties 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 sales of printing machines, packing machines, machine beds and parts and components of such machines; technology development and technical consultancy, provision of services, provision of import services related to the production of enterprises within the Group and sub-contracting work of printing machinery project in overseas and international tendering project within the PRC.
Beijing Beiren Printing Machinery Transportation Company	Subsidiary	Beijing Chaoyang District	Co-operation joint venture of state-owned enterprises and joint stock Company	Zhao Jinghong	Transportation for general goods of the Company and other parties outside the Goup
Beijing Beiren Fuji Printing Machinery Company Limited	Subsidiary	Beijing Chaoyang District	Sino-foreign equity joint venture	Zhu Wuan	Manufacture of printing machines and sale of self-produced products
Beijing Beiren Jing Yan Printing Machinery Factory	Subsidiary	Yan Xing County, Beijing	Co-operative joint venture of joint stock company and state-owned enterprise	Zhang Jinzhao	Manufacture of printing machines and related accessories and provision of technical consultancy seminar
Beiren Tai He Printing and Casting Factory	Subsidiary	Da Xing County, Beijing	Co-operative joint venture of joint stock company and state-owned enterprise	Li Renhua	Manufacture of casting parts and machinery spare parts
Beijing Beiren Printing Machinery Accessories Factory	Subsidiary	Pinggu County, Beijing	State-owned enterprise	Zhang Zhiyuan	Manufacture and sale of parts and components for printing machines; repair and provision of technical consultancy services
Hebei Beiren Gei Zhi Ji Chang	Subsidiary	Hebei Province	Joint venture	Lu Changan	Paper-feeding machines and related accessories
Haimen Beiren Printing Machinery Company Limited	Subsidiary	Haimen, Jiangsu Province	Limited Company	Zhang Zhiyuan	Manufacture of printing machines and related accessories, manufacture, sub-contracting or sales of spare parts of machinery
Sheenlife Limited	Subsidiary	Hong Kong	Limited Company		Provision of Hong Kong representative office and asset custodial service to the Company
Beijing Beiren Yuxin Plastic Printing Company Limited	Subsidiary	Beijing Dongcheng District	Limited Company	Zhu Wuan	Printing, Colour coating and binding of books and periodicals; printing of trademarks, packing and printing; typesetting, film setting; provision of technical consultancy and information consultancy services
Xian Beiren Beifu Printing Machinery Operation And Sale Company Limited	Subsidiary	Xian, Shanxi Province	Limited Company	Liu Jin	Wholesale and retail of Beiren printing machines and related accessories; installation and testing, repairs, training for customers, product promotion, after sale service and sale of other printing equipment

Name of related party	Relations with the company	Place of registration	Nature of establishment	Legal representative	Main Business
Zhejiang Beiren Printing Machinery Operation And Sale Company Limited	Subsidiary	Hangzhou, Zhejiang Province	Limited Company	Wang Guohua	Sale of printing machinery and related accessories, installation and testing, after-sale service, technical consultancy service and technical services for Beiren printing machinery
Hubei Beiren Printing Machinery Operation And Sale Company Limited	Subsidiary	Wuhan, Hubei Province	Limited Company	Wang Guohua	Wholesale and retail of Beiren printing machine and related accessories; installation and testing, repairs, training for customers, technical consultancy and technical services for Beiren printing machinery
Shanxi Beiren Printing Machinery Company Limited	Subsidiary	Weinan, Shanxi Province	Limited Company	Zhu Wuan	Manufacturing, sale and maintenance of printing machinery, composite machinery, packaging machinery, construction machinery, electromechanical equipment and related accessories; sale of printing board and printing apparatus; export services relating to products produced by such company and related technical consultancy; import of services of raw materials, supplementary materials, machinery and equipment, apparatus, meters, spare parts and technology necessary for undertaking of scientific research; development of "San Lai Yi Bu" business.

## (2) Changes in the Company's share capital held by related parties

Name of related party	30.6.2002 and 31.12.2001 Rmb	Ratio %
北人集團公司	25,000	62.50

## (3) Changes in the registered capital of related parties with controlling relationship

Name of related party	31.12.2001	Additions during the period	Reductions during the year	30.6.2002
Beijing Beiren Printing Machinery Transportation Company	Rmb3,150,000.00	—	—	Rmb3,150,000.00
Beijing Beiren Fuji Printing Machinery Company Limited	US\$5,100,000.00	—	—	US\$5,100,000.00
Beijing Beiren Jing Yan Printing Machinery Factory	Rmb4,050,000.00	—	—	Rmb4,050,000.00
Beiren Tai He Printing and Casting Factory	Rmb4,000,000.00	—	—	Rmb4,000,000.00
Beijing Beiren Printing Machinery Accessories Factory	Rmb2,000,000.00	—	—	Rmb2,000,000.00
Hebei Beiren Gei Zhi Ji Chang	Rmb4,802,600.00	—	—	Rmb4,802,600.00
Haimen Beiren Printing Machinery Company Limited	Rmb29,000,000.00	—	—	Rmb29,000,000.00
Sheenlife Limited	HK\$3.0	—	—	HK\$3.00
Beijing Beiren Yuxin Plastic Printing Company Limited	—	Rmb22,430,000.00	—	Rmb22,430,000.00
Xian Beiren Beifu Printing Machinery Operation And Sale Company Limited	—	Rmb1,500,000.00	—	Rmb1,500,000.00
Zhejiang Beiren Printing Machinery Operation And Sale Company Limited	—	Rmb1,500,000.00	—	Rmb1,500,000.00
Hubei Beiren Printing Machinery Operation And Sale Company Limited	—	Rmb1,500,000.00	—	Rmb1,500,000.00
Shanxi Beiren Printing Machinery Company Limited	—	Rmb1,500,000.00	—	Rmb100,000,000.00

## 2002 Interim Report

- (4) Related parties that have no controlling relationship

<b>Name of related party</b>	<b>Relations with the Company</b>
Beijing Yan Long Import and Export Company	Fellow Subsidiary
Ningxia Beiren Xinhua Printing Joint Stock Company Limited	Associated Company
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	Associated Company
Guangzhou Beiren Hengtong Printing Machinery Operation and Sale Company Limited	Associated Company
Liaoning Beiren Printing Machinery Operation And Sale Company Limited	Associated Company

- (5) The Company had the following significant related party transactions with the above related companies:

- (a) Sales and purchases

Jan-June 2002:

Item	Beijing Yan Long Import and Export Company	Beiren Group Corporation	Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	Guangzhou Beiren Hengtong Printing Machinery Operation and Sale Company Limited	Liaoning Beiren Printing Machinery Operation and Sale Company Limited	Total
	Rmb	Rmb	Rmb	Rmb	Rmb	Rmb
Sale of printing machines	—	—	24,943,504.27	2,088,376.07	11,095,042.74	38,126,923.08
Sale of materials	—	22,171.20	—	—	—	22,171.20
Trademark fee paid	—	2,687,013.69	—	—	—	2,687,013.69
Purchase of materials	123,195.15	—	—	—	—	123,195.15

Jan-June 2001:

Item	Beijing Yan long Import and Export Company Rmb	Beiren Group Corporation Rmb	Total Rmb
Sales transacted on behalf of the Company (note)	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
Renting expenses	—	25,200.00	25,200.00

Note: On 20 November 2001, the Company and Beiren Group Corporation entered into an agreement on terminations of the domestic sale agency contract. The Company will directly carry out promotion and sale of its products and is not required to carry out the sale, market promotion and after-sale service for its products in the PRC through the agent of Beiren Group Corporation. The Company is also not required to pay any sales commission to Beiren Group Corporation.

## (b) Current accounts with related parties

Item	Name of related parties	31.12.2001	31.12.2000
		<i>Rmb</i>	<i>Rmb</i>
Accounts receivable	Guangzhou Beiren Hengtong Printing Machinery Company Limited	1,107,100.00	—
	Liaoning Beiren Printing Machinery Sale and Operation Company Limited	3,766,100.00	—
	Beijing Beiren Hengtong Printing Machinery Sale and Operation Company	20,800.00	—
		<u>4,894,000.00</u>	<u>—</u>
Bills receivable	Beijing Beiren Hengtong Printing Machinery Sale and Operation Company	700,000.00	—
	Beiren Group Corporation	—	4,400,000.00
		<u>700,000.00</u>	<u>4,400,000.00</u>
Other receivables	Beiren Group Corporation	—	370,823.71
	Beiren Hotel	—	1,820,882.57
		<u>—</u>	<u>2,191,706.28</u>
Receipts in advance	Beijing Yan Long Import and Export Company	—	350,000.00
Accounts payable	Beiren Group Corporation	—	710,000.00
Other receivables	Beiren Group Corporation	88,266,627.28	78,266,627.28
		<u>88,266,627.28</u>	<u>78,266,627.28</u>

## 45. Contingent Events

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

## 46. Commitments

## (1) Capital Commitments

	30.6.2002	31.12.01
	<i>Rmb</i>	<i>Rmb</i>
Contracted but not provided for purchase of assets	188,619,370.00	17,729,400.00
	<u>188,619,370.00</u>	<u>17,729,400.00</u>

## (2) Lease Commitments

As at the balance sheet date, irrevocable operating leases are as follows:

	30.6.2002	31.12.01
	<i>Rmb</i>	<i>Rmb</i>
Minimum rental payment for non-cancellable operating leases:		
Within 1 year after the balance sheet date	887,560.00	912,560.00
In the second year after the balance sheet date	592,480.00	862,560.00
In the third year after the balance sheet date	260,000.00	296,400.00
Subsequent years	1,310,000.00	1,440,000.00
Total	<u>3,050,040.00</u>	<u>3,511,520.00</u>

# SUPPLEMENTARY INFORMATION

## 1. Returns On Net Assets And Earnings Per Share On Fully Diluted Basis And Weighted Average Basis

Profit for the period	Returns on net assets (%)		Earnings per share	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from major operations	13.61	13.94	0.34	0.34
Operating profit	5.55	5.69	0.14	0.14
Net Profit	4.77	4.89	0.12	0.12
Net profit, net of extraordinary item	4.45	4.55	0.11	0.11

Unit: Rmb

## 2. Analysis of Provision for Diminution Value As at 30 June 2002

Item	1.1.2002		Additions during the period		Written back during the period		30.6.2002	
	Group	Company	Group	Company	Group	Company	Group	Company
1. Total provision for bad debts including:	15,571,311.59	11,330,512.00	4,534,819.97	2,670,000.00	—	—	20,106,131.56	14,000,512.00
Accounts receivables	10,404,199.36	6,768,268.37	2,754,801.90	1,670,000.00	—	—	13,159,001.26	8,438,268.37
Other receivables	5,167,112.23	4,562,243.63	1,780,018.07	1,000,000.00	—	—	6,947,130.30	5,562,243.63
2. Total provision for diminution in value of inventories including:	19,593,260.72	17,159,517.45	3,732,925.01	2,982,245.06	(1,662,908.22)	—	21,663,277.51	20,141,762.51
Raw materials	2,059,191.45	2,055,000.45	1,121,195.01	370,515.06	—	—	3,180,386.46	2,425,515.51
Finished goods	8,347,404.59	7,274,869.00	2,000,000.00	2,000,000.00	(305,891.54)	—	10,041,513.05	9,274,869.00
Work in progress	7,829,648.00	7,829,648.00	611,730.00	611,730.00	—	—	8,441,378.00	8,441,378.00
Self-produced work in progress	1,357,016.68	—	—	—	(1,357,016.68)	—	—	—
3. Total provision for diminution in value of long term investment including:	8,333,200.00	8,333,200.00	2,379,380.92	—	—	—	10,712,580.92	8,333,200.00
Long term equity investment	—	—	2,379,380.92	—	—	—	2,379,380.92	—
Long term debenture investment	8,333,200.00	8,333,200.00	—	—	—	—	8,333,200.00	8,333,200.00
4. Provision for diminution in value of fixed assets including:	31,689,714.46	31,689,714.46	—	—	—	—	31,689,714.46	31,689,714.46
Plant and machinery	31,689,714.46	31,689,714.46	—	—	—	—	31,689,714.46	31,689,714.46
5. Provision for diminution in value of intangible assets	3,480,000.00	—	—	—	—	—	3,480,000.00	—
6. Provision for diminution in value of construction in progress	8,092,659.97	8,092,659.97	—	—	—	—	8,092,659.97	8,092,659.97

**3. Analysis of Items in the Financial Statement with Changes of 30% or Above and Representing 5% or Above of Total Assets at the Balance Sheet Date or 10% or Above of the Total Profit for The Period**

- (1) Bills receivable: Increased by 56.6% at the end of the period when compared with the beginning of the period which was entirely attributable to the acceptance for presentation of bills by bank as a result of the change from contract for sales by Beiren Group Corporation to sales undertaken by the Company causing an increase in bills receivable;
- (2) Accounts receivable: Increased by 49.96% at the end of the period when compared with the beginning of the period principally due to (1) business development and surge in sales income as a result of merger with Shanxi Beiren Printing Machinery Company Limited; and (2) raise in accounts receivable as a result of the selling out of five note-making machines;
- (3) Other receivables: Increased by 52.36% at the end of the period when compared with the beginning of the period mainly attributable to the merger with Shanxi Beiren causing a growth in other receivables by Rmb12,721,500;
- (4) Difference in consolidation: Principally due to difference in equity investment in Shanxi Beiren Printing Machinery Company Limited;
- (5) Intangible assets: Surged by 146.79% at the end of the period when compared with the beginning of the period mainly due to the addition of Rmb47,015,600 in respect of the land use right of the land on which Shanxi Beiren is situated;
- (6) Receipts in advance: Raised by 42.15% at the end of the period when compared with the beginning of the period mainly attributable to the acquisition of Shanxi Beiren causing an increase in receipts in advance by Rmb20,438,000;
- (7) Long term loan: Surged by 2,120.59% at the end of the period when compared with the beginning of the period principally due to the acquisition of Shanxi Beiren led to an increase in long term loan of Rmb37,750,000, of which Rmb32,000,000 is an interest loan, whereas the figure is only Rmb1,700,000 at the beginning of the period;
- (8) Long term payable: Nil at the beginning of the year and is Rmb38,415,000 at the end of the period which is principally due to the merger with Shanxi Beiren and Beiren Yuxin causing an increase by Rmb8,865,000 and Rmb29,550,000 respectively;
- (9) Profit from principal business raised by 48.04% when compared with the same period of the previous year mainly due to growth in gross profit ratio of sale and improvement in profitability of products;
- (10) Administrative expenses grew by 92.06% when compared with the same period last year as a result of merger with Shanxi Beiren;
- (11) Financial expenses increased by 535.95% when compared with the same period of the previous year as compared with the same period last year which is due to the requirement for capital for business expansion of the Company resulting in an increase in banking loan;
- (12) Investment returns increased by 56.18% when compared with the same period of the previous year due to improvement in profit level of the Company during the first half of the year;
- (13) Non-operating expenses increased by 56.18% when compared with the same period last year which is attributable to the inclusion of compensation for demolition of Shanxi Beiren;
- (14) Total profit surged by 58.04% which is due to the raise in gross profit ratio of sale and growth of investment returns in subsidiaries.

**4. The effect on the condensed financial statements arising from the differences between PRC Accounting Standards and Hong Kong Accounting Standards**

	Net profit (loss)		Net assets as at	
	for the six months ended		30.6.2002	31.12.2001
	30.6.2002	30.6.2001	30.6.2002	31.12.2001
	Rmb' 000	Rmb' 000	Rmb' 000	Rmb' 000
As reported under PRC accounting standards	47,683	32,355	998,827	951,126
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	—	—	9,090	9,090
— difference in valuation of capital contribution to subsidiaries	16	16	(1,757)	(1,773)
— receipt of option payments recognised as income under PRC accounting standards	—	—	(24,209)	(24,209)
— difference in recognition of staff accommodation expense	—	(1,038)	—	—
— difference in recognition of liability for final dividends	—	—	—	48,000
— difference in provision for diminution in value of other assets	—	4,241	8,333	8,333
— impairment losses in respect of property, plant and equipment	—	(31,690)	—	—
— impairment losses in respect of construction in progress	—	(8,093)	—	—
— others	348	(56)	156	(174)
As reported under Hong Kong accounting standards	<u>48,047</u>	<u>(4,265)</u>	<u>930,242</u>	<u>930,195</u>

**INTERIM FINANCIAL REPORT PREPARED IN ACCORDANCE WITH HONG KONG ACCOUNTING STANDARDS**

**德勤·關黃陳方會計師行**

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

**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 42 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" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors of the Company.

**Review work performed**

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of the management of the Company 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 2002.

Hong Kong, 15 August 2002

## 2002 Interim Report

### CONDENSED CONSOLIDATED INCOME STATEMENT

(prepared under accounting principles generally accepted in Hong Kong)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

	NOTES	Six months ended	
		30.6.2002 Rmb'000 (unaudited)	30.6.2001 Rmb'000 (unaudited)
Turnover		442,677	350,283
Cost of sales		(300,084)	(258,448)
Gross profit		142,593	91,835
Other operating income		5,257	3,849
Distribution costs		(14,829)	(17,465)
Administrative expenses		(65,750)	(32,421)
Impairment losses in respect of property, plant and equipment		—	(31,690)
Impairment losses in respect of construction in progress		—	(8,093)
Profit from operations	3	67,271	6,015
Finance costs		(8,739)	(3,005)
Share of results of associates		(681)	—
Profit before taxation		57,851	3,010
Taxation	4	(8,384)	(6,980)
Profit (loss) after taxation		49,467	(3,970)
Minority interests		(1,420)	(295)
Net profit (loss) for the period		<u>48,047</u>	<u>(4,265)</u>
Appropriations		<u>57,026</u>	<u>38,458</u>
Earnings (loss) per share	5	<u>Rmb12.01 fen</u>	<u>Rmb(1.07 fen)</u>

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

AT 30 JUNE 2002

	NOTES	30.6.2002 Rmb'000 (unaudited)	31.12.2001 Rmb'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	6	569,377	492,153
Construction in progress	7	163,491	128,786
Negative goodwill	8	(22,240)	—
Intangible assets		5,199	2,812
Interests in associates		18,464	10,687
Other assets		32,747	32,727
		<u>767,038</u>	<u>667,165</u>
<b>Current assets</b>			
Inventories		511,902	485,311
Accounts receivable, prepayments and other receivables	9	244,554	162,532
Bank balances and cash		223,695	218,066
		<u>980,151</u>	<u>865,909</u>
<b>Current liabilities</b>			
Accounts payable	10	129,026	102,827
Other payables		67,607	46,109
Amount due to ultimate holding company		82,159	75,473
Amounts due to minority shareholders of subsidiaries		2,673	2,673
Sales deposits received		45,821	32,234
Provision for taxes and levies		17,187	23,252
Option payments received		24,209	24,209
Dividend payable		48,000	—
Borrowings - due within one year		276,505	264,050
		<u>693,187</u>	<u>570,827</u>
<b>Net current assets</b>		<u>286,964</u>	<u>295,082</u>
		<u>1,054,002</u>	<u>962,247</u>
<b>Capital and reserves</b>			
Share capital		400,000	400,000
Reserves		530,242	530,195
		<u>930,242</u>	<u>930,195</u>
<b>Minority interests</b>		<u>47,595</u>	<u>30,352</u>
<b>Non-current liability</b>			
Borrowings - due after one year		76,165	1,700
		<u>1,054,002</u>	<u>962,247</u>

## 2002 Interim Report

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(prepared under accounting principles generally accepted in Hong Kong)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

	Share capital <i>Rmb'000</i>	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>
(unaudited)									
At 1 January 2002	400,000	316,663	13,206	48,012	42,358	42,979	18,977	48,000	930,195
Net profit for the period	—	—	—	—	—	—	48,047	—	48,047
Appropriations	—	—	—	4,513	4,513	—	(9,026)	—	—
Dividend approved at Annual General Meeting	—	—	—	—	—	—	—	(48,000)	(48,000)
At 30 June 2002	<u>400,000</u>	<u>316,663</u>	<u>13,206</u>	<u>52,525</u>	<u>46,871</u>	<u>42,979</u>	<u>57,998</u>	<u>—</u>	<u>930,242</u>
(unaudited)									
At 1 January 2001	400,000	316,663	13,206	45,504	39,850	42,979	43,580	40,000	941,782
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	<u>400,000</u>	<u>316,663</u>	<u>13,206</u>	<u>44,733</u>	<u>39,079</u>	<u>42,979</u>	<u>40,857</u>	<u>—</u>	<u>897,517</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***(prepared under accounting principles generally accepted in Hong Kong)*

FOR THE SIX MONTHS ENDED 30 JUNE 2002

	<b>1.1.2002 to 30.6.2002</b>	<b>1.1.2001 to 30.6.2001</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash inflow (outflow) from operating activities	58,855	(5,776)
Net cash outflow from investing activities	(30,985)	(56,721)
Net cash (outflow) inflow from financing	(20,865)	106,246
	<hr/>	<hr/>
Net increase in cash and cash equivalents	7,005	43,749
Cash and cash equivalents at 1 January	196,842	85,303
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<u>203,847</u>	<u>129,052</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(prepared under accounting principles generally accepted in Hong Kong)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

### 1. PRINCIPAL ACCOUNTING POLICIES

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

The interim financial report has been prepared in accordance with Statement of Standard Accounting Practice ("SSAP"s) No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

In the current period, the Company has adopted, for the first time, the following new and revised SSAPs issued by the HKSA:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The new and revised SSAPs have introduced revised disclosure requirements which have been adopted in the condensed financial statements. Comparative amounts for prior period have been restated in order to achieve a consistent presentation. The adoption of the above SSAPs has had no material effect on the results for the current or prior accounting periods.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2001.

### 2. SEGMENT INFORMATION

As substantially all of the Group's revenue and results are derived from the manufacture and sale of printing machines in the Mainland China, and revenue and results derived from other business segments and outside the Mainland China are insignificant, no segmental analysis of financial information is presented.

### 3. PROFIT FROM OPERATIONS

	Six months ended	
	30.6.2002	30.6.2001
	Rmb'000	Rmb'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation	21,364	18,560
Interest income	(591)	(1,088)
Release of negative goodwill to income (included in other operating income)	(1,170)	—
	<u>19,599</u>	<u>17,472</u>

### 4. TAXATION

	Six months ended	
	30.6.2002	30.6.2001
	Rmb'000	Rmb'000
Provision for PRC income tax	8,384	6,980

The Company is subject to PRC income tax levied at a rate of 15% (2001: 15%) of the taxable income. All subsidiaries are subject to PRC income tax at a rate as specified in accordance with the relevant rules and regulations in the PRC.

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

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

**5. EARNINGS (LOSS) PER SHARE**

The calculation of earnings (loss) per share for the period is based on the net profit for the period of Rmb48,047,000 (2001: net loss for the period of Rmb4,265,000) and on the 400,000,000 shares (2001: 400,000,000 shares) in issue during the period.

**6. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent approximately Rmb15.2 million, (2001: Rmb53.7 million) on acquisition of property, plant and equipment.

**7. CONSTRUCTION IN PROGRESS**

During the period, the Group spent approximately Rmb40.5 million, (2001: Rmb117.4 million) on construction of its buildings, plant and machinery and others.

**8. NEGATIVE GOODWILL**

	<b>30.6.2002</b>
	<i>Rmb'000</i>
GROSS AMOUNT	
Arising on acquisition during the period and balance at 30 June 2002	23,410
RELEASED TO INCOME	
Released during the period and balance at 30 June 2002	1,170
	<hr/>
CARRYING AMOUNT	
At 30 June 2002	22,240
	<hr/> <hr/>

The negative goodwill arising on acquisition is released to income on a straight line basis over 10 years, representing the remaining weighted average useful life of the depreciable assets acquired.

**9. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES**

At 30 June 2002, the balance of accounts receivable, prepayments and other receivables included accounts receivable of Rmb163,839,000 (31.12.2001: Rmb126,124,000). Customers are normally given a credit period of 90 - 180 days.

	<b>30.6.2002</b>	<b>31.12.2001</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>
The aged analysis of accounts receivable is as follows:		
Amount not yet due	91,683	116,822
Overdue by less than one year	64,487	4,802
Overdue by more than one year, but not exceeding two years	4,529	3,699
Overdue by more than two years, but not exceeding three years	3,140	801
	<hr/>	<hr/>
	163,839	126,124
	<hr/> <hr/>	<hr/> <hr/>

## 2002 Interim Report

### 10. ACCOUNTS PAYABLE

	30.6.2002 Rmb'000	31.12.2001 Rmb'000
The aged analysis of accounts payable is as follows:		
Due within one year	124,649	68,960
Due more than one year, but not exceeding two years	788	33,867
Due more than two years, but not exceeding three years	3,589	—
	<u>129,026</u>	<u>102,827</u>

### 11. ACQUISITION OF A SUBSIDIARY

During the period, the Group acquired a 53.47% interest in a subsidiary at nil consideration. This transaction has been accounted for using the purchase method of accounting.

The effect of the acquisition is summarised as follows:

	Rmb'000
Net assets acquired	23,410
Negative goodwill arising on acquisition	(23,410)
	<u>—</u>
Net cash outflow arising on acquisition	5,053
Bank balances and cash acquired	<u>5,053</u>

The subsidiary acquired during the period contributed approximately Rmb55,936,000 to the Group's turnover, and approximately Rmb2,550,000 to the Group's profit from operations for the six months ended 30 June 2002.

### 12. 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)		Beijing Beiren Hengtong Printing Machinery Sales Limited (an associate)		Guangzhou Beiren Hengtong Printing Machinery Limited (an associate)		Liaoning Beiren Printing Machinery Sales Limited (an associate)	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30.6.2002 Rmb'000	30.6.2001 Rmb'000	30.6.2002 Rmb'000	30.6.2001 Rmb'000	30.6.2002 Rmb'000	30.6.2001 Rmb'000	30.6.2002 Rmb'000	30.6.2001 Rmb'000	30.6.2002 Rmb'000	30.6.2001 Rmb'000
Sales transacted on behalf of the Company	—	283,571	—	1,132	—	—	—	—	—	—
Sale of printing machines to	—	—	—	—	29,944	—	2,088	—	11,095	—
Sale of materials to	22	2,813	—	—	—	—	—	—	—	—
Sale commission paid to	—	8,357	—	34	—	—	—	—	—	—
Payment for land use right to	—	1,000	—	—	—	—	—	—	—	—
Trademark fee paid to	2,687	2,894	—	—	—	—	—	—	—	—
Purchase of materials from	—	2,892	123	5,874	—	—	—	—	—	—
Repair and maintenance fee paid to	—	25	—	—	—	—	—	—	—	—

The pricing policies adopted for the above transactions are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2001.

**13. CAPITAL COMMITMENTS**

As at 30 June 2002, the Group had the following capital commitments:

	<b>30.6.2002</b> <i>Rmb'000</i>	<b>31.12.2001</b> <i>Rmb'000</i>
Contracted but not provided for the purchase of property, plant and equipment	188,619	17,082
Authorised but not contracted for the purchase of property, plant and equipment	—	647
	<u>188,619</u>	<u>17,729</u>

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

	<b>Net profit (loss)</b> <b>for the six months ended</b>		<b>Net assets as at</b>	
	<b>30.6.2002</b>	<b>30.6.2001</b>	<b>30.6.2002</b>	<b>31.12.2001</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
As reported under PRC accounting standards	47,683	32,355	998,827	951,126
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	—	—	9,090	9,090
— difference in valuation of capital contribution to subsidiaries	16	16	(1,757)	(1,773)
— receipt of option payments recognised as income under PRC accounting standards	—	—	(24,209)	(24,209)
— difference in recognition of staff accommodation expense	—	(1,038)	—	—
— difference in recognition of liability for final dividends	—	—	—	48,000
— difference in provision for diminution in value of other assets	—	4,241	8,333	8,333
— impairment losses in respect of property, plant and equipment	—	(31,690)	—	—
— impairment losses in respect of construction in progress	—	(8,093)	—	—
— others	348	(56)	156	(174)
	<u>48,047</u>	<u>(4,265)</u>	<u>930,242</u>	<u>930,195</u>
As reported under Hong Kong accounting standards				