

## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### (1) Discussion and analysis on operations during the reporting period

1. With the concerted efforts of the staff, the Company was able to achieve the expected results for the first half of the year. During the first half of the year, the principal operating income of the Company amounted to Rmb461,183,900, representing an increase of 4.81% over the same period last year; net profit of Rmb54,287,800 was recorded, representing a growth of 16.72% over the corresponding period of the previous year.
2. In order to ensure that the construction of the new factory and the phase two removal of the Company could be accomplished, the Company managed to surmount every difficulty that encountered and demonstrated a high level of commitment during the reporting period. Numerous effective measures were adopted to prevent and control SARS and at the same time organized the removal work so that the target of “no interruption of production, no loss of market, no excess investment cost be incurred and no loss of morale” could be achieved.
3. As the Company is expanding continuously, the need to revamp its management system is a development trend of the Company. The merger of Multi-colouring Press Branch Company, 單雙色機分公司, 齒輪廠 and 鈑金廠 to form 單張紙膠印機製造分公司 enables segregation of strategic management and operational management so as to lay a foundation for the long-term development of the Company.
4. The Company stepped up management over its subsidiaries in the areas of production, quality control and finance by placing emphasis on devising plans for the development of its subsidies strategically. Currently, diminution of capital investment has been carried out in Ningxia Beiren and that Tai He Casting Company and Transportation Company are in the process of liquidation.
5. The outbreak of SARS produced certain impact on the Company’s operation and opening up of market. However, the Company was able to fully utilize its sales network, electronic devises and adopted a number of measures to transmit information concerning the Company’s sales work and receive feedback on a timely basis so that the impact of SARS on the Company was minimized.

**(2) Operations of the Company**

## 1. Principal operations of the Company:

Development, design, manufacturing and sales of printing presses, pressing machines, packing machines, business forms printing presses, commercial revolving presses (商用輪轉印刷機), commercial soft cover presses (商用柔性版印刷機), intaglio presses, the parts and components for the aforesaid machines; technical consultancy, technical support; management of the export of own enterprises' and member enterprises' self-produced products and technology; the import of own enterprises and member enterprises production of the required auxiliary materials, instruments and meters, machines, parts and components and technology (apart from those products restricted by the State from being imported, exported); managing throughput processing and the operation of "Three in, one added".

## 2. Principal operations:

## (1) Principal operating income and segmental information

	Principal operating income	Principal operating costs	Gross profit margin (%)	Increase (+)/decrease (-) in principal operating income as compared with the same period last year (%)	Increase (+)/decrease (-) in principal operating costs as compared with the same period last year (%)	Increase (+)/decrease in gross profit margin
<i>Unit: Rmb</i>						
Flat paper printers	280,282,730.50	169,061,409.75	39.68	(7.79)	(13.89)	12.07
Rolling paper printers	56,831,503.18	43,580,679.19	23.32	38.11	40.46	(5.21)
Intrusion printers	59,138,404.01	44,056,735.76	25.50	10.33	9.00	3.71
Pressing machines	978,632.48	1,561,267.03	(59.54)			
Form-printing machines	34,098,340.30	26,688,882.25	21.73	25.61	34.39	(19.05)
Spare parts	11,385,476.67	7,984,911.97	29.87	27.07	(8.94)	1,297.09
Printing business	13,225,251.39	9,163,518.35	30.71	154.19	149.78	4.19
Others	5,243,563.05	3,970,178.90	24.28			
Of which:						
connected transactions	71,414,163.59	43,489,164.79	39.10			
Pricing principle for connected transactions			Market price			

## (2) Analysis of geographical segments for principal operations

Region	Principal operating income	Increase (+)/decrease (-) in principal operating income (%)
<i>Unit: Rmb</i>		
Domestic	449,838,547.27	2.52
Overseas	11,345,354.31	804.19
Total	461,183,901.58	4.81

## 3. Operational difficulties and problems

The rise in prices of raw materials led to an increase in production costs for the Company during the reporting period. The increase in depreciation and energy consumption as a result of the commencement of operation of the new factory produced an adverse effect on the Company's profitability.

**(3) Investment during the reporting period**

## 1. Use of proceeds

Projects undertaken	Proposed investment	Change in use of proceed	Actual investment	Benefits	Whether progressing as scheduled and estimated return
<i>Unit: Rmb</i>					
Total amount of proceeds					141,170,845.74
Total amount utilized during the year					141,170,845.74
Total amount utilized in aggregate					141,170,845.74
Entirely invested in setting up of the production base of new sheet-fed multi-colour offset presses	141,170,845.74	No	141,170,845.74	N/A	In the process of implementation
Explanation on the failure to progress as scheduled and generate income (on a project basis)		N/A			
Reasons for changes and developments of changes (on a project basis)		N/A			

## 2. There was no change in the use of proceeds during the reporting period.

## 3. Investment of non-publicly raised funds during the reporting period

During the reporting period, the Company invested Rmb42,548,300 in the construction of a new factory, which is currently in progress. The Company has invested Rmb1,136,000 in Beijing Beiyong Casting Company Limited and holds 20% equity interest therein.

### **(4) Outlook for the second half of 2003**

1. In the second half of the year, the Company will focus on completing all the construction and removal work, which is about to come to an end. The administration and the research and development departments of the Company will be moved to the new factory site.
2. The Company will strengthen its research and development of new products and product quality upgrade to ensure that the products which will be used as exhibits in various international exhibitions in 2004 can be completed with a view to preparing for the strategic implementation of their exports.
3. The Company will continue to improve its pricing management and reinforce cost management.
4. The Company intends to increase product sales and put more efforts on exports by making use of the its existing sales channel and integrating its marketing resources with an aim to open up its sales channels to the international markets by diversified means and to enlarge the proportion of exports to the Company's turnover.
5. The Company will speed up building up of its information systems so that they can be widely used in a number of aspects such as research and development, production management, product quality and cost control and office automation.
6. The Company will expedite its reform in management in order to cope with market changes and will also facilitate standardization of management in an attempt to bring it to a modern and advanced level.