

V. MATERIAL EVENTS**(1) Corporate governance:**

During the reporting period, the Company took a pro-active role in refining its corporate governance in conformity with the requirements set out in the relevant documents issued by the China Securities Regulatory Commission and maximized the functions of general meetings, board of directors' meetings and supervisory meetings as well as its management so that the Company was able to carry out standardization in operations.

(2) Profit distribution plan and its implementation during the reporting period

As approved by shareholders at the Company's 2002 Annual General Meeting held on 12 June 2003, the profit distribution plan of the Company is as follows: The Company issued 22,000,000 A shares during the period from 26 December 2002 to 7 January 2003. Based on 42,200,000 shares (of par value Rmb1.00 each) in issue, the Company carried out distribution of a cash dividend of Rmb1.00 (inclusive of tax), totalling Rmb42,200,000, to all shareholders for every 10 shares held. The announcement in relation to such distribution of dividends was published in Shanghai Securities Daily, Hong Kong Economic Times and The Standard on 13 June 2003. The announcement in relation to the distribution of dividends of A shares was published in Shanghai Securities Daily on 21 July 2003. The registration date for A share certificates, the ex-dividend date and the distribution of dividends for A shares and H shares were 24 July 2003, 25 July 2003 and 31 July 2003 respectively.

(3) There will be no profit distribution or any transfer of the surplus reserve to increase share capital for the interim period.**(4) During the reporting period (or in the previous period, but remained unsettled in this period), the Company was not engaged in any material litigation or arbitration which occurred during or before the reporting period but remained unsettled in the reporting period.****(5) There was no material acquisition, sale or disposal of assets during the reporting period.**

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(6) Connected debts and liabilities

Connected Party	Amount Advanced to Connected Party		Amount Advanced to the Company	
	Amount incurred	Balance	Amount incurred	Balance
Unit: Rmb				
Accounts receivable				
Hubei Beiren Printing Machinery Sales Company Limited	2,326,649.21	6,486,500.00		
Xian Beiren Beifu Printing Machinery Sales Company Limited	3,247,418.33	4,555,530.00		
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	(1,200,000.00)	2,732,200.00		
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	(1,793,700.00)	3,124,300.00		
Beiren Group Corporation	3,001,000.00	4,299,300.00		
Beijing Yan Long Import and Export Company	3,700,000.00	3,700,000.00		
Bills receivable				
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	(830,000.00)	900,000.00		
Hubei Beiren Printing Machinery Sales Company Limited	5,386,000.00	5,486,000.00		
Liaoning Beiren Machinery Sales Limited	960,000.00	960,000.00		
Other receivables				
Beijing Beiren Printing Machinery Transportation Company	786,902.13			
Beijing Beiren Tai He Printing and Casting Factory		2,864,115.74		
Beijing Beiyang Printing and Casting Company Limited	3,000,000.00	3,000,000.00		
Accounts payable				
Beiren Group Corporation			836,995.68	1,312,456.08
Beijing Yan Long Import and Export Company			(267,002.00)	742,149.38
Other payables				
Beiren Group Corporation				78,266,627.28

Note: Accounts receivable arose from the Company's regional sales and Beiren Group Corporation's sales to the Company. Accounts payable arose from the provision of ancillary services for the Company's products.

(7) The Company has no material connected transactions during the reporting period.

(8) Material contracts

- During the reporting period (or in the previous period, but deferred to be executed in this period), the Company has not been entrusted with, contracted for or leased any assets of any other companies, nor have any other companies been entrusted with, contracted for or leased any of the Company's assets.
- The Company did not provide any material guarantee during the reporting period (or in the previous period, but deferred to be executed in this period).
- During the reporting period (or in the previous period, but deferred to be executed in this period), the Company did not entrust others with the management of the cash or assets.

(9) Commitments

At the request of the People's Municipal Government of Beijing and according to city planning of Beijing, the Company will move out of the current address, No. 44 Guangqu Road South, Chaoyang District, Beijing, the PRC. Beiren Group Corporation injected a consideration for a valuation of real estate and land developing fees for the current site into the Company; therefore, Beiren Group Corporation had undertaken to compensate the Company with a payment not lower than the sum of the book value of such real estate and the audited land developing fees. As at 30 June 2003, Rmb175,914,500 of such payment has been received.

(10) The financial statements of the Company for this period have not been unaudited.

(11) During the reporting period, the Company's Board of Directors, the Directors and senior management were not under investigation by the China Securities Regulatory Commission, subject to administrative punishment, be criticized nor subject to punishment by other administrative department and be condemned publicly by any securities exchanges.

(12) There was no purchase, disposal, redemption or cancellation by the Company or any of its subsidiaries of its listed shares in the reporting period.

(13) Deposits

The first deposit of Rmb5 million was placed with China Venturetech Investment Company. The second deposit of Rmb5 million was placed with Yin Peng Cooperative Credit Union, Bai Yin, Gansu Province. A total of Rmb10 million of deposits have not been recovered yet as it is still in the process of liquidation by the relevant authority. These two deposits represent approximately 1% of the Company's net assets and will cause no material effect to operations of the Company. The Company has made a provision of Rmb8.2 million for loss.

(14) The Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the reporting period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(15) Miscellaneous

- (1) The Company was able to achieve the expected results for the first half of the year. During the first half of the year, according to accounting principles generally accepted in Hong Kong, the turnover of the Company amounted to approximately Rmb522,605,000, representing an increase of 18.06% over the same period last year; net profit of approximately Rmb58,832,000 was recorded, representing a growth of 23.23% over the corresponding period of the previous year.

The improvement of results was mainly contributed by the increase in market demand which is indicated by the increase of sales of rolling paper printers and intrusion printers by about 38.11% and 10.33% respectively when comparing with the corresponding period of the previous year. Besides, the reduction in administrative expenses as well as finance costs as a result of effective cost control and repayment of loans have also contributed to the increase in net profit.

- (2) Sources of working funds and capital

The Group's net cash inflow from operating activities for the six months ended 30 June 2003 amounted to approximately Rmb119,690,000.

As at 30 June 2003, the Group had bank balances and cash on hand totalling approximately Rmb285,263,000.

As at 30 June 2003, total borrowings of the Group amounted to Rmb283,441,000, of which Rmb195,000,000 are repayable within one year, Rmb46,400,000 are repayable in 2004, while the remaining are repayable in 2005 to 2007. These borrowings are denominated in Renminbi of which Rmb28,000,000 are interest free and Rmb255,441,000 are fixed interest loans.

As at 30 June 2003, the gearing ratio of the Group calculated as a ratio of total liabilities to total assets was 39.38%.

- (3) Staff employment

As at 30 June 2003, the Group had approximately 3,472 employees, of which approximately 2,200 were production staff, representing 63.36% of the total number of employees. Remuneration packages are generally structured by reference to the industry practice, individual's performance and experience. Apart from the basic remuneration, bonus may be granted to eligible employees by reference to the Group's performance as well as individual's performance.

- (4) Charge on the Group's assets

As at 30 June 2003, the Group's property, plant and equipment with a value of approximately Rmb48,152,000 (31 December 2003: Rmb48,979,000) were pledged as security for the Group's bank borrowings.

- (5) Exposure to fluctuations in exchange rates and any related hedges

Transactions of the Group are mainly denominated in Renminbi, Hong Kong or United States dollars. The risk of exposure to fluctuations in exchange rates is therefore low. No financial instruments were used by the Group for hedging exchange rate risk.

- (6) Contingent liabilities

As at 30 June 2003, there was no significant contingent liabilities.

- (7) Pursuant to the approval Zheng Jian Fa Hang Zi [2002] No. 133 issued by the China Securities Regulatory Commission, the Company issued 22,000,000 new A shares during the period from 26 December 2002 to 7 January 2003, which were successfully listed on the Shanghai Stock Exchange on 16 January 2003.

- (8) The Company will move to a new office in September 2003: No. 6 Rong Chang Dong Street, Economic and Technological Development Zone, Beijing; postal code: 100176; telephone: 010-67802565; facsimile: 010-67802570