

# 2003 Interim Report

## VI. FINANCIAL STATEMENTS (UNAUDITED)

### BALANCE SHEET (Unaudited)

As at 30 June 2003

					Unit: RMB
	Notes	The Group 30.6.2003 (Unaudited)	The Group 31.12.2002	The Company 30.6.2003 (Unaudited)	The Company 31.12.2002
Current assets					
Cash and bank balances	6	281,072,680.15	186,886,282.11	248,108,712.77	139,762,305.41
Bill receivables	7	33,881,463.00	14,352,100.00	31,561,800.00	16,665,896.19
Account receivables	8	209,524,013.85	184,009,844.69	157,351,840.68	138,399,585.91
Other receivable	9	35,638,283.67	31,666,688.88	70,013,516.58	69,319,289.64
Dividend receivable		—	—	1,613,500.00	—
Prepayment	11	22,259,618.61	18,002,960.10	6,164,695.77	5,103,949.21
Inventories	12	519,779,151.89	521,658,881.92	358,162,273.39	369,342,042.90
Deferred expenses	13	852,046.63	1,633,528.16	—	—
Total current assets		1,103,007,257.80	958,210,285.86	872,976,339.19	738,593,069.26
Long term investment					
Long term equity investment	14	13,684,919.17	17,460,855.80	157,687,891.10	160,484,105.87
Long term investment in debts	15	20,393,800.00	24,393,800.00	20,393,800.00	24,393,800.00
Total long term investments		34,078,719.17	41,854,655.80	178,081,691.10	184,877,905.87
Fixed assets					
Fixed assets, at cost	16	967,414,648.98	1,015,615,044.76	622,525,784.51	711,236,520.29
less: accumulated depreciation	16	437,909,182.51	465,133,836.70	286,224,654.20	318,516,187.39
Fixed assets, net book value		529,505,466.47	550,481,208.06	336,301,130.31	392,720,332.90
less: Provision for diminution in value of fixed assets	16	27,601,252.99	27,720,554.99	27,601,252.99	27,601,252.99
Fixed assets, net		501,904,213.48	522,760,653.07	308,699,877.32	365,119,079.91
Construction in progress	17	292,715,817.83	231,662,234.82	291,355,174.06	229,963,247.74
Total fixed assets		794,620,031.31	754,422,887.89	600,055,051.38	595,082,327.65
Intangible assets and other assets:					
Intangible assets	18	32,127,224.91	76,995,335.89	23,979,062.29	21,879,447.47
Long term deferred expenses	19	12,956,440.16	50,788,348.53	12,765,971.10	50,628,000.00
Total intangible assets and other assets		45,083,665.07	127,783,684.42	36,745,033.39	72,507,447.47
Total assets		1,976,789,673.35	1,882,271,513.97	1,687,858,115.06	1,591,060,750.25

**BALANCE SHEET (CONTINUED)**

As at 30 June 2003

		Unit: RMB			
Liabilities and shareholders' equity	Notes	The Group 30.6.2003 (Unaudited)	The Group 31.12.2002	The Company 30.6.2003 (Unaudited)	The Company 31.12.2002
Current liabilities					
Short term loans	20	195,000,000.00	257,000,000.00	130,000,000.00	195,000,000.00
Bills payable	21	16,065,552.24	37,722,813.36	12,765,552.24	37,722,813.36
Accounts payable	22	148,801,984.50	146,518,990.75	89,041,081.94	86,843,993.38
Receipts in advance	23	84,407,588.50	99,639,638.55	57,853,619.33	69,804,841.04
Wages Payable		4,870,161.50	5,002,931.50	3,692,281.41	3,692,281.41
Staff welfare		20,242,300.93	19,619,725.96	12,525,727.57	12,176,185.19
Dividend payable	24	42,891,500.00	42,200,000.00	42,200,000.00	42,200,000.00
Taxes payable	25	19,487,053.84	20,330,035.29	13,441,095.15	11,045,138.80
Sundry payable	26	655,592.70	1,270,516.34	190,140.65	214,651.11
Other payable	27	117,088,927.42	119,170,763.32	97,974,154.77	98,314,131.77
Expected liabilities	28	22,183,713.00	22,183,713.00	22,183,713.00	22,183,713.00
Accruals	29	6,252,111.75	3,161,310.81	4,398,544.14	2,000,000.00
Long term liabilities payable within one year	30	4,050,000.00	4,400,000.00	—	—
Total current liabilities		681,996,486.38	778,220,438.88	486,265,910.20	581,197,749.06
Long term liabilities:					
Long term loans	30	42,350,000.00	46,350,000.00	28,000,000.00	32,000,000.00
Long term payable	31	29,550,000.00	29,550,000.00	—	—
Other long term liabilities		240,800.00	333,600.00	—	—
Total long term liabilities		72,140,800.00	76,233,600.00	28,000,000.00	32,000,000.00
Deferred tax					
Deferred tax credit	32	242,941.38	242,941.38	242,941.38	242,941.38
Total liabilities		754,380,227.76	854,696,980.26	514,508,851.58	613,440,690.44
Minority interests		47,814,948.90	48,463,279.15	—	—
Shareholders' fund					
Share capital	33	422,000,000.00	400,000,000.00	422,000,000.00	400,000,000.00
Capital reserve	34	519,951,389.08	400,755,880.29	519,951,389.08	400,755,880.29
Surplus reserve including: statutory public welfare fund	35	157,557,333.49	146,650,594.51	157,456,936.47	146,550,197.49
Retained profits	36	54,462,637.37	49,009,267.88	54,412,438.86	48,959,069.37
Exchange reserve		75,083,924.43	31,702,840.27	73,940,937.93	30,313,982.03
		1,849.69	1,939.49	—	—
Total shareholders' equity		1,174,594,496.69	979,111,254.56	1,173,349,263.48	977,620,059.81
Total liabilities and shareholders' equity		1,976,789,673.35	1,882,271,513.97	1,687,858,115.06	1,591,060,750.25

The notes form an integral part of the financial statements.

# 2003 Interim Report

## PROFIT AND LOSS ACCOUNT AND PROFITS DISTRIBUTION

For the period ended 30 June 2003

			Unit: RMB			
Item		Notes	The Group Six months ended 30.6.2003 (Accumulated) (Unaudited)	The Group Six months ended 30.6.2002 (Accumulated) (Unaudited) (Restated)	The Company Six months ended 30.6.2003 (Accumulated) (Unaudited)	The Company Six months ended 30.6.2002 (Accumulated) (Unaudited) (Restated)
1.	Income from major operations	37	461,183,901.58	440,031,830.34	335,081,032.20	331,680,734.07
	less: operating cost	37	306,067,583.20	300,083,831.05	216,398,578.03	224,561,320.21
	sales tax and surcharge	38	3,323,298.94	3,991,760.49	2,625,715.07	3,282,608.93
2.	Profit from major operations		151,793,019.44	135,956,238.80	116,056,739.10	103,836,804.93
	add: profit from other operations		538,574.45	2,785,966.80	408,146.42	1,325,896.30
	less: selling expenses		19,661,982.84	14,828,888.53	12,504,698.25	10,033,341.45
	administrative expenses		61,643,750.52	65,323,480.33	42,165,810.42	44,615,288.18
	financial expenses	39	5,422,788.03	8,376,198.67	2,903,596.76	5,452,365.76
3.	Operating profit		65,603,072.50	50,213,638.07	58,890,780.09	45,061,705.84
	add: investment income					
	(less: loss)	40	(5,995,769.60)	(1,858,376.35)	(1,243,377.82)	2,944,093.31
	non-operating income	41	1,372,495.09	4,041,439.81	1,186,310.34	150,002.89
	less: non-operating expenses	42	(5,625,414.78)	(3,896,923.85)	(5,679,299.51)	(4,000,330.03)
4.	Total profits		66,605,212.77	56,293,625.38	64,513,012.12	52,156,132.07
	less: income tax	43	10,968,555.03	8,384,022.86	9,979,317.24	8,197,451.86
	add: minority interests		1,348,834.60	1,397,058.97	—	—
5.	Net profit for the year		54,287,823.14	46,512,543.55	54,533,694.88	43,958,680.21
	add: retained profits at the beginning of the year	36	31,702,840.27	18,262,946.55	30,313,982.03	19,310,794.36
6.	Distributable profits		85,990,663.41	64,775,490.10	84,847,676.91	63,269,474.57
	less: statutory surplus reserve	36	5,453,369.49	4,395,868.02	5,453,369.49	4,395,868.02
	statutory public welfare fund	36	5,453,369.49	4,395,868.02	5,453,369.49	4,395,868.02
7.	Profits distributable to Shareholders		75,083,924.43	55,983,754.06	73,940,937.93	54,477,738.53
	less: transfer to discretionary surplus reserves		—	—	—	—
	ordinary share dividend payable	36	—	—	—	—
8.	Retained profits carried forward		75,083,924.43	55,983,754.06	73,940,937.93	54,477,738.53

## SUPPLEMENTARY INFORMATION:

Item	The Group Six months ended 30.6.2003 (Accumulated) (Unaudited)	The Group Six months ended 30.6.2002 (Accumulated) (Unaudited) (Restated)	The Company Six months ended 30.6.2003 (Accumulated) (Unaudited)	The Company Six months ended 30.6.2002 (Accumulated) (Unaudited) (Restated)
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	—	(4,075,905.19)	—	(4,075,905.19)
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

**CASH FLOW STATEMENT**

For the period ended 30 June 2003

Unit: RMB

Item	Notes	The Group		The Company	
		Six months ended 30.6.2003 (Unaudited)	Six months ended 30.6.2002 (Unaudited) (Restated)	Six months ended 30.6.2002 (Unaudited)	Six months ended 30.6.2002 (Unaudited) (Restated)
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		513,518,113.36	452,369,606.92	376,775,869.97	342,824,889.44
Tax refund received		—	—	428,918.20	452,918.20
Other cash received relating to operating activities		108,350,846.88	10,387,678.15	110,236,415.97	5,572,359.35
Sub-total of cash inflows		621,868,960.24	462,757,285.07	487,441,204.14	348,850,166.99
Cash paid for goods and services		314,978,222.96	247,479,446.42	217,785,959.91	184,752,856.91
Cash paid to and on behalf of employees		71,628,429.64	47,032,023.29	47,220,965.64	31,542,585.56
Taxes and surcharges paid		47,494,937.03	61,231,387.48	36,791,144.34	53,186,914.51
Other cash paid relating to operating activities	44	50,181,145.43	52,896,280.10	41,923,854.71	25,093,860.04
Sub-total of cash outflows		484,282,735.06	408,639,137.29	343,721,924.60	294,576,217.02
Net cash flows from operating activities		137,586,225.18	54,118,147.78	143,719,279.54	54,273,949.97
2. Cash flow from investing activities					
Cash received from disposal of subsidiaries			5,053,173.50	—	—
Net cash received from disposal of fixed assets, intangible assets and other long term assets		2,120,620.55	26,830,460.69	4,248,783.67	26,445,952.86
Other cash received relating to investing activities		—	922,922.23	—	—
Sub-total of cash inflows		2,120,620.55	32,806,556.42	4,248,783.67	26,445,952.86
Cash paid to acquire fixed assets, intangible assets and other long term assets		113,632,926.96	55,414,635.12	108,304,713.61	43,570,686.54
Cash paid relating to investing activities		1,136,000.00	3,675,000.00	1,136,000.00	64,445,000.00
Other cash paid relating to investing activities		813,542.07	—	—	—
Sub-total of cash outflows		115,582,469.03	59,089,635.12	109,440,713.61	108,015,686.54
Net cash flows from investing activities		(113,461,848.48)	(26,283,078.70)	(105,191,929.94)	(81,569,733.68)
3. Cash flows from financing activities					
Cash received from investment by others		154,000,000.00	618,210.95	154,000,000.00	—
Cash received from loans		106,000,000.00	225,000,000.00	90,000,000.00	207,000,000.00
Other cash received relating to financing activities		—	—	—	—
Sub-total of cash inflows		260,000,000.00	225,618,210.95	244,000,000.00	207,000,000.00
Cash repayments of debentures		172,442,800.00	238,889,999.49	159,000,000.00	175,000,000.00
Cash payments for distribution of dividends or profits and payments of interest expenses		6,460,243.92	8,258,228.86	3,989,834.69	5,900,232.86
Other cash paid relating to financing activities		11,187,714.71	—	11,187,714.71	—
Sub-total of cash outflows		190,090,758.63	247,148,228.35	174,177,549.40	180,900,232.86
Net cash flows from financing activities		69,909,241.37	(21,530,017.40)	69,822,450.60	26,099,767.14

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## CASH FLOW STATEMENT (CONTINUED)

For the period ended 30 June 2003

Item	Notes	The Group		The Company	
		Six months ended 30.6.2003 (Unaudited)	Six months ended 30.6.2002 (Unaudited) (Restated)	Six months ended 30.6.2002 (Unaudited)	Six months ended 30.6.2002 (Unaudited) (Restated)
4.	Effect of foreign exchange rate changes on cash	<u>152,779.97</u>	<u>(57,286.72)</u>	<u>(3,392.84)</u>	<u>(13,267.78)</u>
5.	Net increase in cash and cash equivalents	<u><b>94,186,398.04</b></u>	<u><b>6,247,764.96</b></u>	<u><b>108,346,407.36</b></u>	<u><b>(1,209,284.35)</b></u>
Item	Notes	The Group		The Company	
		Six months ended 30.6.2003 (Unaudited)	Six months ended 30.6.2002 (Unaudited) (Restated)	Six months ended 30.6.2002 (Unaudited)	Six months ended 30.6.2002 (Unaudited) (Restated)
1.	Reconciliation of profit after taxation to cash flow from operating activities				
	Net Profit	54,287,823.14	46,512,543.55	54,533,694.88	43,958,680.21
	less: Provision for diminution in assets value	6,981,237.63	3,699,870.54	6,777,902.43	1,576,339.87
	Depreciation of fixed assets	23,661,434.09	25,190,649.70	13,096,561.14	19,201,430.62
	Amortisation of intangible assets	816,436.16	1,288,269.95	235,385.18	227,467.85
	Amortisation difference in equity investment	12,908.07	—	12,908.07	—
	Amortisation of deferred expenses	169,879.47	174,556.44	120,000.00	—
	Amortisation of deferred expenses (less: increase)	(29,979.15)	(434,610.70)	—	(386,986.84)
	Increase in accruals (less: decrease)	3,090,800.94	4,952,899.79	2,398,544.14	3,240,600.00
	Loss on disposal of fixed assets, intangible assets and other long term assets (less: income)	(808,190.47)	(112,635.90)	(657,770.72)	(32,873.73)
	Financial expenses	6,307,463.95	8,315,515.58	3,993,227.53	5,913,500.64
	Investment loss (less: income)	214,355.17	—	(4,538,036.61)	(2,944,093.31)
	Loss on minority interests	1,487,485.60	1,397,058.97	—	—
	Decrease in inventories	675,423.54	16,995,852.48	10,310,238.72	24,311,286.76
	Decrease in operating receivables (less: increase)	(61,533,423.81)	(42,464,366.95)	(39,532,485.04)	(38,827,109.71)
	Increase in operating payables (less: decrease)	<u>102,391,221.85</u>	<u>(11,397,455.67)</u>	<u>96,969,109.82</u>	<u>(1,964,292.39)</u>
	Net cash flows from operating activities	<u>137,586,225.18</u>	<u>54,118,147.78</u>	<u>143,719,279.54</u>	<u>54,273,949.97</u>
2.	Net increase (decrease) in cash and cash equivalents				
	Cash at the end of the period	281,072,680.15	223,695,112.70	248,108,712.77	194,404,846.13
	Less: Cash and bank balance at the beginning of the period	<u>186,886,282.11</u>	<u>217,447,347.74</u>	<u>139,762,305.41</u>	<u>195,614,130.48</u>
	Net increase (decrease) in cash and cash equivalents	<u><b>94,186,398.04</b></u>	<u><b>6,247,764.96</b></u>	<u><b>108,346,407.36</b></u>	<u><b>(1,209,284.35)</b></u>

The notes form an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

(Prepared under PRC accounting standards)

For the period ended 30 June 2003

**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 AND ACCOUNTING ESTIMATE****Accounting System and standards**

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 medium exchange rate (“Market Rate”) quoted at the market ruling on the first date of the transaction month. Monetary accounts denominated in foreign currencies as at year end are translated into Renminbi at the Market Rate ruling at year end. For exchange differences arising from specific foreign currency loans relating to acquisition or construction of fixed assets, are included as cost of those fixed assets before they are capable of being put in use charged to long term deferred expense if they are still under construction; and the remaining are charged as financial expense.

**Cash equivalents**

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired. Cash equivalents 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 unrecoverable method is adopted. Provision for bad debt is made based on the unrecoverability of accounts receivable at the end of the year. According to the past experience, the financial position and cash flow of the defaulting party and other information, analysis is made for accounts receivable on a case-by-case basis, determining the amount of provision for bad debt.

**Inventories**

Inventories are stated as actual cost upon acquisition. Actual cost includes acquisition cost, processing cost, and other cost of bringing inventories to their working condition and location for its intended use. Inventories include raw materials, work-in-progress and finished goods.

The cost of inventories sold is reviewed based on actual cost and calculated on a weighted average basis. Consumables are charged to profit and loss account when acquired.

## Provision for diminution in value of inventories

At the end of the period, inventories are stated at the lower of cost and net realizable value. Whenever the net realizable value is lower than cost, provision is made for diminution in value of inventories based on the difference between cost and net realizable value for each inventory.

Net realizable value is based on estimated selling price less further cost expected to be incurred to completion and disposal and less the relevant tax in the normal course of business.

## Recognition of the recoverable

The recoverable represents the higher of the net selling price of assets and cash flow arising from continuous use of such assets and the disposal of such assets before the end of useful lives.

## Long term investments

### (1) Long term equity investments

Long term equity investments are stated at historical cost upon acquisition.

The investee company to which the Company is unable to control, by itself or jointly with other parties, or to exert significant influence is accounted for using the cost method. 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.

When the cost method is adopted, the amount of investment income is limited to the attributable amount of the accumulated net profits of the invested company after being acquired by the Company. The amount of profits or cash dividends declared to be distributed by the investee company in excess of the above should be treated as recovery of investment cost, and reduce the carrying amount of investments accordingly.

When the equity method is adopted, the amount of investment income arising from the investee company is the share of net profit (loss) generated by the investee company in the relevant period. In the event that share of net loss generated by the investee company is recognized, the carrying amount of investment is to be deducted until zero. In the event that the investee company recognizes net profit in the following periods and share of income exceeds share of unrecognized net loss, the carrying amount of investment is recovered to be positive.

In the event the equity method is adopted for long-term equity investment, the difference in long-term equity investment represents the difference between initial investment cost and percentage of equity interest in the investee. Such difference is amortized on a straight-line basis for the terms in investment as stated in the contract and charged to the profit and loss account. If there is no specific term stated in the contract, amortization is carried out over within 10 years. In the event initial investment cost was lesser than percentage of equity interest in the investee, amortization is carried out over not less than 10 years.

### (2) Accounting for long term investment in debt

The initial investment cost of long-term debt investment is stated at actual cost less due and uncollected coupon. Premium or discount of bond investment is arrived at the difference between the total cost, paid, of long term debt investment upon acquisition, less due and uncollected coupon and the relevant tax as stated in the initial investment cost and its book value. Premium or discount of bond is amortized based on the straight-line method during the effective period of bond upon recognition of interest income arising from the relevant bond.

Interest income is recognised on its possibility of recovery.

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

At the end of the period, the Company determines whether it is necessary to make provision for impairment based on the indication of impairment for long-term debt investment. In the event the recoverability of long term debt investment is less than its carrying amount, provision is made based on such difference.

## Fixed assets and depreciation

Fixed assets represent production assets and intangible assets held for provision of labor, leasing, operating or non-operating with intended useful life exceeding one year and higher value.

Fixed assets are stated as actual cost upon acquisition. Following the second month after reaching its intended working condition, fixed assets are discounted based on a straight-line method. Estimated residual ratio, discount period and annual discount rate of various fixed assets are as follows:

Item	Estimated residual ratio	Depreciation period	Annual depreciation rate
Buildings	3%	40 Years	2.425%
Plant and machinery	3%	8-14 Years	12.125%-6.929%
Electronic equipment, furniture & fixture	3%	8 Years	12.125%
Transportation equipment	3%	8 Years	12.125%

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

At the end of the period, the Company determines whether it is necessary to make provision for impairment based on the indication of impairment for fixed assets. In the event the recoverability of fixed assets is less than its carrying amount, provision is made based on such difference.

**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**

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 recommenced 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. Provision is made based on the amount of the recoverable less than its carrying amount.

**Intangible assets**

Intangible assets are stated as actual costs upon acquisition. The actual costs of acquired intangible assets are calculated on the basis of the price actually paid. For intangible assets that are internally generated and acquired by means of application according to legal procedures, their actual costs are calculated on the basis of the registration fees, legal costs, etc. incurred upon acquisition according to the law. Materials, wages and other expenses incurred during the course of research and development are directly charged into the profit and loss account for the current period. The acquired intangible assets are recognized as the actual price.

Land use right acquired by the Company before the implementation of accounting system for corporations in the PRC or obtained by way of land grant premiums as intangible assets which have not been recognized as construction cost related to housing and building erected thereon is amortized based on the following periods. Land use right acquired by the Company after the implementation of accounting system for corporations in the PRC or obtained by way of land grant premiums before the development or construction of self-use project as intangible assets is amortized based on the following periods. Because of the construction of self-use project, the carrying amount of land use right is transferred to construction cost.

Intangible assets are amortized on straight-line basis over the estimated life of such intangible assets from the month they are acquired, and charged to the profit and loss account for the corresponding period. If expected useful life is longer than the beneficial period as stipulated by the relevant contract or the effective period as stipulated by the law, the amortization period should not exceed the shorter of the beneficial period or the effective period. If there are no specific periods as stipulated by the relevant contract or the effective period as stipulated by the law, the amortization period should not exceed 10 years.

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

At the end of the period, the Company determines whether it is necessary to make provision for impairment based on the indication of impairment for intangible assets. In the event the recoverability of intangible assets is less than its carrying amount, provision is made based on such difference.

**Long term deferred expenses**

Long term deferred expenses represent expenses incurred for acquiring fixed assets. Expenses incurred during the incorporation of the Company are included in the profit and loss account in the first month after commencement of its operations.

Other long term deferred expenses are amortized on a straight-line basis for the beneficial terms.

**Borrowing expenses**

Borrowing expenses represent interest arising from borrowing, amortization of discount and premium and other auxiliary expenses, as well as difference in translation of foreign loan. Borrowing expense by way of special borrowing for acquiring fixed assets are capitalized based on the principle of capitalized amount of borrowing expenses recognized before such assets reaching their intended working condition.

**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.

**Income tax**

Income tax is accounted for using the tax accruing 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. BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

### Basis for Preparation of Consolidated Financial Statements

#### (1) Principle of determination of consolidation

Scope of consolidation includes the Company and its subsidiaries as set out in note 6 as at 31 December 2002. Subsidiaries represent enterprises in which the Company's direct or indirect investment amount accounts for 50% or more of the total capital or enterprises over which the Company has actual control over their operations by way of other means.

#### (2) Accounting method adopted in consolidated financial statements

Subsidiaries adopt the same principle accounting policy as the Company

The operating results of subsidiaries before and after their disposals are stated in the Group profit and loss account.

Significant accounts and transactions between the Company and its subsidiaries and among its subsidiaries are eliminated upon consolidation.

### Translation of the foreign currency financial statements

In the course of consolidation, foreign currency financial statements are translated to RMB financial statements according to the following:

Save as shareholders' fund as set out under the "undistributed profit" translated into RMB at the rate ruling on the transaction date, all of the assets and liabilities are translated into RMB at the rate ruling on 30 June 2003. Items as out on profit and loss account are translated into RMB at the average rate of the consolidated accounting period. Opening undistributed profit is the balance of closing undistributed profit for the previous year after translation. Closing undistributed profit is stated as other amount on the profit and loss account after translation. Difference in the total of assets and liabilities and shareholders' fund is stated as "difference in foreign currency statements" which is presented in the balance sheet.

All items as set out on the cash flow statement are translated into RMB at the rate ruling on 31 December 2002. Effect on cash flow from change in exchange rate is stated as "Effect on cash flow from change in exchange rate", as an adjustment, which is presented in the cash flow statement.

Opening balance and the actual amount in the previous year are stated after translation at rate set out in the annual report for the previous year.

## 4. 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.

### 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.

### Other Tax

Business tax is applicable to the 5% assessable income of the Company

Urban development tax is calculated on the basis of the assessable amount of value-added tax and business tax. The applicable tax rates are 5% and 7% respectively.

## 5. SCOPE OF CONSOLIDATION, PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

The particulars of subsidiaries directly owned by the Company are as follows:

Name of subsidiaries	Registered address	Registered share capital	% Percentage of equity directly held by the Company	Principal activities	Type of corporation	Consolidated for the year
Beijing Beiren Fuji Printing Machinery Company Limited	Chao Yang District, Beijing (note 1)	USD5,100,000.00	70.00	Manufacturing of printing machines and sale of self-manufactured products	Sino-joint venture	Yes
Beiren Group Transportation Company	Chao Yang District, Beijing (note 4)	Rmb3,150,000.00	100.00	Transportation of general good for the Company and other parties outside the Group	Collectively owned	No
Beijing Beiren Jing Yan Printing Machinery Factory	Yan Qing Xian, Beijing	Rmb4,050,000.00	98.77	Manufacturing of printing machines and spare parts and provision of technical consultancy services	Joint stock associated company	Yes
Beiren Tai He Printing and Casting Factory	Da Xing District, Beijing (note 5)	Rmb4,000,000.00	62.50	Manufacturing of casting parts for printing machinery	Collectively owned	Yes
Beijing Beiren Printing Machinery Accessories Factory	Ping Gu District, Beijing	Rmb2,000,000.00	94.65	Manufacturing of parts and components for printing machines	Owned by the whole people	Yes
Hebei Beiren Gei Zhi Ji Company Limited	Shi Jia Zhuang, Hebei Province (note 6)	Rmb5,000,000.00	50.68	Manufacturing and sale of paper feeder machines and related accessories	Limited	Yes
Haimen Beiren Printing Machinery Company Limited	Hai Mem, Jiangsu Province	Rmb29,000,000.00	51.20	Manufacturing of printing machines and related accessories	Limited	Yes
Sheenlite Limited	Hong Kong	HK\$3.00	100.00	Provision of Hong Kong representative office and asset custodial service to the Group	Limited	Yes
Beijing Beiren Yuxin Plastic Printing Company Limited	Dong Cheng District, Beijing	Rmb22,430,000.00	68.66	Printing, Binding, typesetting and film-setting of books and periodicals	Limited	Yes
Shaanxi Beiren Printing Machinery Company Limited	Wei Na, Shaanxi Province	Rmb100,000,000.00	84.18	Manufacturing, sales and maintenance of printing machines, compound machines, packaging machines, engineering machines electromechanical machines and parts	Limited	Yes
Zhejiang Beiren Printing Machinery Operating and Sale Company Limited	Hangzhou, Zhejiang Province (note 2)	Rmb1,500,000.00	55.00	Sale, installation and testing of printing machines and related accessories and provision of technical consultancy services	Limited	Yes
Hubei Beiren Printing Machinery Operating and Sale Company Limited	Wuhan, Hubei Province (note 3)	Rmb1,500,000.00	51.00	Sale, installation and testing of printing machines and related accessories and provision of technical consultancy services	Limited	No

Note 1: Beijing Beiren Fuji Printing Machinery Company Limited ("Beiren Fuji") directly owns the following subsidiary:

Name of subsidiary	Registered place	Registered capital (RMB)	Share of Registered capital contributed by Beiren Fuji (%)	Nature of business	Type of corporation	Consolidated
Xian Beiren Beifu Printing Operating and Sale Company Limited (note 3)	Xian Shaanxi Province	1,500,000.00	51	Sale, installation and testing of printing machines and related accessories and provision of technical consultancy services	Limited	No

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Note 2: Since the calculation of the turnover ratio of Zhejiang Beiren Printing Machinery Operation and Sale Company Limited 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 are more than 10%, it is included in the consolidated financial statements.

Note 3: 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 turnover ratio of Hubei Beiren Printing Machinery Operation and Sale Company Limited and Xian Berien Beifu Printing Operation and Sale Company Limited, subsidiaries of the Company, for the period from 1 January 2003 to 30 June 2003 as computed based on the formulae set out in the document are less than 10%, these two subsidiaries are included in the consolidated financial statements by equity method.

Note 4: The Company's subsidiary Beiren Group Transportation Company was liquidated in the second half of 2002. The liquidation of the subsidiary is expected to be completed in the second half of 2003. As such, the subsidiary was not included in the consolidated financial statements.

Note 5: Beijing Beiren Tai He Printing and Casting Factory was in the process of liquidated in the first half of 2003. As such, the financial statements of the subsidiary were not included in the consolidated financial statements for the report.

Note 6: The capital of Hebei Beiren Gei Zhi Ji Factory had been increased to Rmb197,400.00 and has been converted to a limited liability company in the period..The shareholdings of its original shareholders remained unchanged. The name of Hebei Beiren Gei Zhi Ji Factory has been changed to Hebei Geiren Gei Zhi Ji Company Limited.

Note 7: The Company had decrease the registered share capital of Ningxia Beiren Xinhua Printing Joint Stock Company Limited by Rmb5,100,000 during the period and its shareholding therein had decreased to 28.76%.

Note 8: The Company acquired 20% equity interest in Beijing Beiying Casting Company Limited at a consideration of Rmb1,136,000.00 in the period. As the Company is the largest shareholder of Beijing Beiying Casting Company Limited, the Company's investment in this subsidiary was included in the consolidated financial statements by equity method.

Save as circumstances mentioned in Notes 3, 4 and 5, the above directly held subsidiaries are included in the scope of consolidation.

Save as companies mentioned in Notes 2, 4 and 5, the scope of consolidation of the consolidated financial statements for the period is consistent with that of the previous period.

Name of the associated companies	Registered place	Registered share capital RMB	Percentage of equity held by the Company %	Nature of Business	Type of Corporation
Ningxia Beiren Xinhua Printing Joint Stock Company Limited	Yin Chuan Ningxia Huizu Autonomous Region (note 7)	19,400,000.00	28.76	Printing and packing of books and other materials	Joint stock
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	Beijing	2,000,000.00	45	Sale, installation and testing of printing machinery and related accessories and provision of technical consultancy services	Limited
Guangzhou Beiren Hengtong Printing Machinery Operation and Sale Company Limited	Guangzhou, Guangdong Province	1,500,000.00	30	Wholesale and retail of printing machinery and related accessories and provision of after-sale services	Limited
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	Shenyang, Liaoning Province	700,000.00	49	Sale, installation and testing of printing machinery and related accessories and provision of technical consultancy services	Limited
Xian Berien Beifu Printing Operation and Sale Company Limited	Xian, Shaanxi Province	1,500,000.00	49	Installation and testing of printing machines and related accessories and provision of technical consultancy services	Limited
Beijing Monigraf Automatic Systems Company	Beijing	7,500,000.00	49	Development, design, manufacturing and sale of ink control system, printing apparatus, printing consumption production as well as installation, testing and of technical consultancy and training for self-produced products	Sino-foreign joint venture
Beijing Beiying Casting Company Limited	Beijing (note 8)	5,680,000.00	20	Processing and sale of standard and non-standard spare parts, manufacture of casting parts, processing and technological development of models, transfer and provision of consultancy services	Limited

## 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			80,525.24			39,905.70
Foreign currency						
– Japanese Yen	309,173.93	0.06928	21,419.57	302,848.99	0.069035	20,907.18
– Euro	1,740.00	9.46490	16,468.92	1,740.00	8.636000	15,026.64
– U.S. dollars	575.00	8.27660	4,759.05	7,575.00	8.277300	62,700.55
– Hong Kong dollars	1,808.30	1.06120	1,918.97	—	—	—
			<u>125,091.75</u>			<u>138,540.07</u>
Bank balances						
Renminbi			270,556,831.57			170,541,646.97
Foreign currency						
– Japanese Yen	2,917,512.85	0.06928	202,125.29	22,911,767.07	0.069035	1,581,713.84
– Hong Kong dollars	4,563,449.41	1.06120	4,842,732.51	13,010,053.64	1.061100	13,804,967.92
– U.S. dollars	646,992.61	8.27660	5,345,899.03	94,397.11	8.277300	781,352.21
			<u>280,947,588.40</u>			<u>186,709,680.94</u>
Other cash and bank balances						
Renminbi	—		—			38,061.10
			<u>281,072,680.15</u>			<u>186,886,282.11</u>

## 7. BILLS RECEIVABLE

	Closing balance Rmb	Opening balance Rmb
Bank acceptance notes	<u>33,881,463.00</u>	<u>14,352,100.00</u>

As at the end of the period, the Company's bills receivable have not been pledged.

There was no outstanding bills receivable due from shareholders who hold more than 5% shares of the Company.

## 8. ACCOUNTS RECEIVABLE

The aging of accounts receivable is analysed as follows:

	Closing balance				Opening balance			
	Amount Rmb	Ratio (%)	Provision for Bad Debt Rmb	Net amount Rmb	Amount Rmb	Ratio (%)	Provision for Bad Debt Rmb	Net amount Rmb
Within 1 year	172,182,210.99	73.44	—	172,182,210.99	150,739,220.97	74.03	—	150,739,220.97
1 year - 2 years	40,687,975.69	17.35	10,739,058.96	29,948,916.73	37,346,716.96	18.34	10,015,955.35	27,330,761.61
2 years - 3 years	9,001,090.15	3.84	4,393,131.94	4,607,958.21	5,731,090.09	2.81	2,293,949.74	3,437,140.35
Over 3 years	12,594,762.23	5.37	9,809,834.31	2,784,927.92	9,815,148.58	4.82	7,312,426.82	2,502,721.76
	<u>234,466,039.06</u>	<u>100.00</u>	<u>24,942,025.21</u>	<u>209,524,013.85</u>	<u>203,632,176.60</u>	<u>100.00</u>	<u>19,622,331.91</u>	<u>184,009,844.69</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 %
44,591,900.00	<u>19.02</u>

The details of the balance of the accounts receivable due from shareholders who hold more than 5% of the Company's shares are as follows:

Name of shareholder	Closing balance Rmb	Opening balance Rmb
Beiren Group Corporation	<u>4,229,300.00</u>	<u>1,298,300.00</u>

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### 9. OTHER RECEIVABLES

The aging of other receivables is analysed as follows:

	Closing balance				Opening balance			
	Amount	Ratio	Bad Debt	Net amount	Amount	Ratio	Bad Debt	Net amount
	Rmb	(%)	Rmb	Rmb	Rmb	(%)	Rmb	Rmb
Within 1 year	27,928,439.67	64.93	37,362.90	27,891,076.77	21,847,892.88	57.84	12,910.00	21,834,982.88
1 year - 2 years	972,401.20	2.26	125,266.30	847,134.90	755,640.26	2.00	11,542.50	744,097.76
2 years - 3 years	412,874.29	0.96	14,422.76	398,451.53	1,261,949.96	3.34	869,399.66	392,550.30
Over 3 years	13,701,536.16	31.85	7,199,915.69	6,501,620.47	13,906,618.12	36.82	5,211,560.18	8,695,057.94
	<u>43,015,251.32</u>	<u>100.00</u>	<u>7,376,967.65</u>	<u>35,638,283.67</u>	<u>37,772,101.22</u>	<u>100.00</u>	<u>6,105,412.34</u>	<u>31,666,688.88</u>

The five largest other receivables are as follows:

Total amount of the five largest accounts receivable	Percentage of the total value of the accounts receivable
Rmb	%
<u>14,585,946.92</u>	<u>33.91</u>

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

Name of shareholder	Closing balance	Opening balance
	Rmb	Rmb
Beiren Group Corporation	<u>19,781.75</u>	<u>—</u>

### 10. PROVISION FOR BAD DEBTS

	Rmb
Balance at beginning of the period year	25,727,744.25
Provision for the period	7,311,848.61
Transfer during the period	(720,600.00)
Balance at end of the period	<u>32,318,992.86</u>

### 11. PREPAYMENT

The aging analysis of prepayment is as follows:

	Closing balance		Opening balance	
	Rmb	%	Rmb	%
Within 1 year	19,661,110.24	88.33	15,284,189.12	84.90
1 year - 2 years	520,937.33	2.34	747,826.35	4.15
2 years - 3 years	631,857.07	2.84	543,461.54	3.02
Over 3 years	1,445,713.97	6.49	1,427,483.09	7.93
	<u>22,259,618.61</u>	<u>100.00</u>	<u>18,002,960.10</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.

### 12. INVENTORIES AND PROVISION FOR DIMINUTION IN VALUE OF INVENTORIES

	Closing balance			Opening balance		
	Amount	Provision for	Net	Amount	Provision for	Net
	Rmb	diminution	balance	Rmb	diminution	balance
	Rmb	in value	Rmb	Rmb	in value	Rmb
Raw materials	84,465,207.25	1,952,750.83	82,512,456.42	81,260,691.68	3,180,386.46	78,080,305.22
Work in progress	196,258,958.91	10,278,738.00	185,980,220.91	217,802,366.09	10,278,738.01	207,523,628.08
Finished goods	202,003,287.01	15,474,217.01	186,529,070.00	180,011,279.91	13,377,050.58	166,634,229.33
Semi-finished goods	63,781,395.87	—	63,781,395.87	68,458,415.15	—	68,458,415.15
Low value consumables	976,008.69	—	976,008.69	962,304.14	—	962,304.14
	<u>547,484,857.73</u>	<u>27,705,705.84</u>	<u>51,97,791,51.89</u>	<u>548,495,056.97</u>	<u>26,836,175.05</u>	<u>521,658,881.92</u>

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

	<i>Rmb</i>
Balance at beginning of the period	26,836,175.05
Provision for the period	2,877,735.91
Transfer during the period	(2,008,205.12)
Balance at end of the period	<u>27,705,705.84</u>

### 13. DEFERRED EXPENSES

Type	Closing balance Rmb	Opening balance Rmb	Reason for unamortised balance
Insurance on assets of enterprises	25,289.63	99,755.45	The beneficial period has not expired
Newspaper subscription	26,432.78	68,393.56	The beneficial period has not expired
Moulds and tools	—	212,627.96	The beneficial period has not expired
Others	800,324.22	1,252,751.19	The beneficial period has not expired
	<u>852,046.63</u>	<u>1,633,528.16</u>	

### 14. LONG TERM EQUITY INVESTMENTS

	Closing balance Rmb	Opening balance Rmb
Investment in subsidiaries not included in scope of consolidation	5,391,151.29	3,359,850.37
Investment in associated companies	11,133,905.64	15,172,636.83
Other equity investment	2,379,380.92	2,379,380.92
Total	18,904,437.85	20,911,868.12
Less: provision for impairment of long term equity investment	(5,219,518.68)	(3,451,012.32)
Long term equity investment, net	<u>13,684,919.17</u>	<u>17,460,855.80</u>

Changes in provision for impairment of long term equity investment are as follows:

	Rmb
Opening balance	3,451,012.32
Addition in the period	1,768,506.36
Transfer in the period	—
Closing balance	<u>5,219,518.68</u>

- (1) Details of subsidiaries and associated companies not included in scope of consolidation are as follows:

Names of investee companies	Initial investment Rmb	Addition (decrease) investment Rmb	Share of registered equity holding (%)	Increase/ decrease in equity interest in investee companies Rmb	Share of cash bonus Rmb	Accumulated increase/ decrease Rmb	Provision for impairment (Note) Rmb	Closing book value Rmb (note)
Subsidiaries								
Beiren Group								
Transportation Company	3,150,000.00	—	100	—	—	(2,078,368.60)	(1,071,631.40)	—
Beijing Beiren								
Tai He Casting Factory	2,500,000.00	—	62.5	(415,326.61)	—	(731,493.64)	(1,768,506.36)	—
Xian Beiren Beifu Printing								
Operation and Sale								
Company Limited	1,500,000.00	—	85	126,714.03	—	148,101.11	—	1,648,101.11
Hubei Beiren Printing								
Machinery Operation								
and Sale Company Limited	765,000.00	—	51	136,080.53	—	137,912.42	—	902,912.42
	<u>7,915,000.00</u>	<u>—</u>		<u>(157,532.05)</u>	<u>—</u>	<u>(2,523,848.71)</u>	<u>(2,840,137.76)</u>	<u>2,551,013.53</u>

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Names of investee companies	Initial investment Rmb	Addition (decrease) investment Rmb	Share of registered equity holding (%)	Increase/decrease in equity interest in investee companies Rmb	Share of cash bonus Rmb	Accumulated increase/decrease Rmb	Provision for impairment (Note) Rmb	Closing book value Rmb (note)
Associated companies								
Ningxin Beiren Xinhua Printing Joint Stock Company Limited	10,680,000.00	(5,100,000.00)	28.76	(220,711.23)	—	(1,092,800.28)	—	4,487,199.72
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	900,000.00	—	45	134,337.10	—	120,152.42	—	1,020,152.42
Guangzhou Beiren Hengtong Printing Machinery Company Limited	450,000.00	—	30	(31,070.00)	—	(27,625.88)	—	422,374.12
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	343,000.00	—	49	(11,735.20)	—	(4,268.76)	—	338,731.24
Beijing Monigraf Automatic Systems Company	3,675,000.00	—	49	32,693.45	—	32,693.45	—	3,707,693.45
Beijing Beiyong Casting Company Limited	—	1,123,091.93	20	34,662.76	—	34,662.76	—	1,157,754.69
	<u>16,048,000.00</u>	<u>3,976,908.07</u>		<u>61,823.12</u>	<u>—</u>	<u>(937,186.29)</u>	<u>—</u>	<u>11,133,905.64</u>
	<u>23,963,000.00</u>	<u>3,976,908.07</u>		<u>(214,355.17)</u>	<u>—</u>	<u>(3,461,035.00)</u>	<u>(2,840,137.76)</u>	<u>13,684,919.17</u>

Note: Beijing Beiren Tai He Printing and Casting Factory is in the process of liquidated in 2003. The Company had made provision for all impairment loss on long term investment for the year based on the expected recoverability of receivables.

- (2) Changes in the other equity investment are as follows:

Name of invested companies	Amount of investment Rmb	Provision for impairment	Net book value	
		Opening balance Rmb	Closing balance Rmb	Closing balance Rmb
Tianjin Jinqin Printing Board Plant	<b>2,279,380.92</b>	<b>(2,279,380.92)</b>	(2,279,380.92)	—
Ying Shen Associated Company	<b>50,000.00</b>	<b>(50,000.00)</b>	(50,000.00)	—
Xian Printing Joint Development Company	<b>50,000.00</b>	<b>(50,000.00)</b>	(50,000.00)	—
	<u><b>2,379,380.92</b></u>	<u><b>(2,379,380.92)</b></u>	<u>(2,379,380.92)</u>	<u>—</u>

Closing balance of other equity investment included investment amounting to Rmb2,379,380.92 from Shaanxi Beiren Printing Machinery Company Limited, a subsidiary of the Company, to Tianjin Jinqin Printing Board Plant, Ying Shen Associated Company, Xian Printing Joint Development Company several years ago. Since the Company had no control and influence on the said investment, which was uncertain to be recovered, provision was made for such the investment amount.

- (3) Difference in long term equity investment

Name of investee company	Original Amount Rmb	Opening balance Rmb	Increase / (decrease) during the period Rmb	Amortisation during the period Rmb	Balance of amortised amount Rmb
Beijing Beiyong Casting Company Limited	<u>12,908.07</u>	<u>—</u>	<u>12,908.07</u>	<u>(12,908.07)</u>	<u>—</u>

## 15 LONG TERM INVESTMENT IN DEBT

	Closing balance Rmb	Opening balance Rmb
Other investment in debts	<b>32,727,000.00</b>	32,727,000.00
Less: provision for impairment of long term investment in debts	<u><b>(12,333,200.00)</b></u>	<u>(8,333,200.00)</u>
Long term investment in debts, net	<u><b>20,393,800.00</b></u>	<u>24,393,800.00</u>

Changes in provision for impairment of long term investment in debts are as follows:

	<i>Rmb</i>
Opening balance	8,333,200.00
Increase/(decrease) during the period	4,000,000.00
Closing balance	<u>12,333,200.00</u>

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. The initial investment amounted to HKD30,000,000.00 (equivalent to Rmb32,727,000.00). Return of investment is 12-15%. Pursuant to the contract, the Company does not hold the title but 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, SEADCL did not pay according to the contract. Both parties agreed to delay the refund of the deposit and pay interest at agreed rate. Therefore, 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 SEADCL 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 recognised.

The Company and SEADCL subsequently entered into a supplementary agreement. Pursuant to the agreement, SEADCL would 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 SEADCL, the supplementary agreement will be cancelled and the original agreement will continue to be effective so that SEADCL 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\$23,000,000.00, equivalent to Rmb24,400,000.00. 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 Rmb8,333,200.00 based on the difference between the recoverable amount and the book value at the end of the year 2001.

However, as at 31 December 2001, SEADCL had not completed the procedures for the transfer of the title of properties. Accordingly, the Company and SEADCL 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 SEADCL in exchange for the title of the original properties. On 1 February 2002, the Company and SEADCL entered into an agreement for implementation of the undertaking for sale and purchase contract. Pursuant to the agreement, SEADCL will assist the Company in the procedures of preparing title deed within 1 month after signing the agreement and complete the procedures 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\$24,000,000.00, equivalent to Rmb25,454,000.00, which was no less than the value of the properties. Management of the Company considered there was no significant diminution in value for the properties as at 31 December 2002.

As at 30 June 2003, the Company has not completed the title deed related to the properties. The Company's management has made provision for impairment loss on long term investment of Rmb4,000,000.00 in respect of such investment in debt based on the difference between book value and the recoverable amount.

## 16. FIXED ASSETS, ACCUMULATED DEPRECIATION AND PROVISION FOR DIMINUTION IN VALUE

	Buildings <i>Rmb</i>	Plant and machinery <i>Rmb</i>	Furniture, fixture and equipment <i>Rmb</i>	Motore vehicles <i>Rmb</i>	Total <i>Rmb</i>
<b>Cost</b>					
At beginning	390,439,164.21	541,391,948.41	54,811,592.07	28,972,340.07	1,015,615,044.76
Adjustment for reclassification	—	(4,884,112.04)	4,884,112.04	—	—
Reduction arising from change in scope of consolidation (note 2)	(3,728,860.85)	(1,931,485.95)	—	(1,370,577.38)	(7,030,924.18)
Transfer from intangible assets	47,975,112.00	—	—	—	47,975,112.00
Additions	554,050.00	521,545.15	1,059,110.35	1,042,643.11	3,177,344.61
Transfer from construction in progress	1,156,872.98	8,310,588.54	574,733.00	2,339,867.89	12,382,062.41
Reduction	(83,166,958.82)	(11,741,825.57)	(5,356,188.28)	(4,439,017.95)	(104,703,990.62)
At end of the period	<u>353,229,379.52</u>	<u>531,666,654.54</u>	<u>55,973,359.18</u>	<u>26,545,255.74</u>	<u>967,414,648.98</u>



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	Buildings Rmb	Plant and machinery Rmb	Furniture, fixture and equipment Rmb	Motor vehicles Rmb	Total Rmb
<b>Accumulated depreciation</b>					
At beginning	113,595,121.76	301,501,025.91	32,272,856.41	17,764,832.62	465,133,836.70
Adjustment for reclassification	—	(1,640,167.65)	1,640,167.65	—	—
Reduction arising from change in scope of consolidation (note 2)	(494,472.06)	(545,474.20)	—	(438,702.95)	(1,478,649.21)
Transfer from intangible assets	1,919,004.48	—	—	—	1,919,004.48
Provision	4,108,581.51	12,425,431.03	3,148,678.76	1,166,963.32	20,849,654.62
Reduction	(30,057,774.10)	(10,418,301.81)	(4,027,947.56)	(4,010,640.61)	(48,514,664.08)
At end of the period	<u>89,070,461.59</u>	<u>301,322,513.28</u>	<u>33,033,755.26</u>	<u>14,482,452.38</u>	<u>437,909,182.51</u>
<b>Provision for diminution in value</b>					
At beginning	—	27,720,554.99	—	—	27,720,554.99
Reduction arising from change in scope of consolidation (note 2)	—	(119,302.00)	—	—	(119,302.00)
At end of the period (note 1)	<u>—</u>	<u>27,601,252.99</u>	<u>—</u>	<u>—</u>	<u>27,601,252.99</u>
<b>Net book values</b>					
At beginning	<u>276,844,042.45</u>	<u>212,170,367.51</u>	<u>22,538,735.66</u>	<u>11,207,507.45</u>	<u>522,760,653.07</u>
At end of the period	<u>264,158,917.93</u>	<u>202,742,888.27</u>	<u>22,939,603.92</u>	<u>12,062,803.36</u>	<u>501,904,213.48</u>
Including: Net assets pledged at the end of the period (note 3)	<u>39,511,546.62</u>	<u>8,640,382.89</u>	<u>—</u>	<u>—</u>	<u>48,151,929.51</u>

**Note 1:** The Company made a provision for diminution in value of fixed assets, amounting to Rmb27,601,252.99 based on the difference between the recoverable amount and the book value in accordance with "Accounting Regulations for Business Enterprises".

**Note 2:** Since Beijing Beiren Tai He Printing and Casting Factory, a subsidiary of the Company, has been liquidated since the beginning of the period, such subsidiary was not included in the scope of consolidation in the period.

**Note 3:** Closing balance of outstanding debt pledged with assets consists of a short term loan amounting to Rmb30,500,000.00 from China Industrial and Commercial Bank (Wei Na Branch) and a long term loan with a five year term amounting to Rmb15,000,000.00 from China Construction Bank (Wei Na Branch) by a subsidiary of the Company.

## 17. CONSTRUCTION IN PROGRESS

	Opening balance Rmb	Addition during the period Rmb	Transfer out during the period Rmb	Transfer from intangible assets during the period Rmb	Reductions arising from obsolescence during the period Rmb (note 2)	Closing balance Rmb
Construction in progress	239,788,344.56	82,656,577.87	(12,382,062.41)	(2,335,000.00)	(13,133,980.58)	294,593,879.44
Less: Provision for diminution in value	(8,126,109.74)	—	—	—	6,248,048.13	(1,878,061.61)
Construction in progress, net	<u>231,662,234.82</u>	<u>82,656,577.87</u>	<u>(12,382,062.41)</u>	<u>(2,335,000.00)</u>	<u>(6,885,932.45)</u>	<u>292,715,817.83</u>

  

Project name	Budgeted Amount Rmb	Opening balance Rmb	Additions during the year Rmb	Transfer out upon completion during the year Rmb	Transfer from intangible assets Rmb	Other reductions Rmb	Provision for diminution in value Rmb (note 3)	Closing balance Rmb	Source of funds	Progress %
Equipment renovation	26,000,000.00	25,127,747.41	16,063,761.26	(10,963,889.43)	—	(4,977,901.92)	(1,165,827.82)	24,083,889.50	internal resources	90
Development of new plant site	260,804,125.24	197,054,468.56	63,749,656.68	—	—	(2,795,937.20)	—	260,804,125.24	internal resources	95
Moulding workshop	39,000,000.00	4,130,937.20	1,000,000.00	—	(2,335,000.00)	—	—	—	internal resources	100
Workshop improvements	15,600,000.00	13,014,722.81	1,391,176.40	(1,156,872.98)	—	(5,320,141.46)	(712,233.79)	7,216,650.98	internal resources	95
Environment protection	810,000.00	460,468.58	451,983.53	(261,300.00)	—	(40,000.00)	—	611,152.11	internal resources	95
	<u>342,214,125.24</u>	<u>239,788,344.56</u>	<u>82,656,577.87</u>	<u>(12,382,062.41)</u>	<u>(2,335,000.00)</u>	<u>(13,133,980.58)</u>	<u>(1,878,061.61)</u>	<u>292,715,817.83</u>		

Note:

- (1) During the period, there was no interest capitalised.
- (2) At the request of the People's Municipal Government and according to the city planning of Beijing, the Company had moved out of the current address, No. 44 Guangqu Road South, Chaoyang District, Beijing, the PRC during the period and therefore cancelled part of the construction in progress amounting to Rmb13,133,980.58. Since the Company cancelled part of provision for diminution in value made in the previous year, write-back of provision amounted to Rmb6,248,048.13.
- (3) In accordance with "Accounting Regulations for Business Enterprises", the Company carried out a review of all construction in progress. As at 30 June 2003, the cost of construction in progress which has been suspended for a long term and is not expected to restart in three years amounted to Rmb1,878,061.61. Accordingly, the Company made a provision for total diminution in value.

Changes in provision for impairment of construction in progress are as follows:

	<i>Rmb</i>
Opening balance	8,126,109.74
Provision for the period	—
Transfer for the period	(6,248,048.13)
Closing balance	<u>1,878,061.61</u>

## 18. INTANGIBLE ASSETS

	Land use right <i>Rmb</i>	Industrial patent and technological knowhow <i>Rmb</i>	Imported sales network <i>Rmb</i> (note)	Total <i>Rmb</i>
At cost				
Opening balance	75,326,669.30	11,085,296.13	4,350,000.00	90,761,965.43
Additions in the year	2,335,000.00	200,000.00	—	2,535,000.00
Transfer from fixed assets	(47,975,112.00)	—	—	(47,975,112.00)
Reduction arising from change in scope of consolidation	(600,000.00)	—	—	(600,000.00)
Reduction in the period	—	—	(4,350,000.00)	(4,350,000.00)
Closing balance	<u>29,086,557.30</u>	<u>11,285,296.13</u>	<u>—</u>	<u>40,371,853.43</u>
Accumulated amortization				
Opening balance	3,394,799.03	6,021,830.51	870,000.00	10,286,629.54
Provision in the period	281,799.56	534,636.60	—	816,436.16
Transfer from fixed assets	(1,919,004.48)	—	—	(1,919,004.48)
Reduction arising from change in scope of consolidation	(69,432.70)	—	—	(69,432.70)
Reduction in the period	—	—	(870,000.00)	(870,000.00)
Closing balance	<u>1,688,161.41</u>	<u>6,556,467.11</u>	<u>—</u>	<u>8,244,628.52</u>
Provision for diminution in value				
Opening balance	—	—	3,480,000.00	3,480,000.00
Reduction in the period	—	—	(3,480,000.00)	(3,480,000.00)
Closing balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net value				
Opening balance	<u>71,931,870.27</u>	<u>5,063,465.62</u>	<u>—</u>	<u>76,995,335.89</u>
Closing balance	<u>27,398,395.89</u>	<u>4,728,829.02</u>	<u>—</u>	<u>32,127,224.91</u>
Including: Net assets pledged at end of period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Note: The imported sales network was contributed from 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 has been made as the sales network was replaced by other sales networks. Therefore, such intangible asset and the amount of provision for diminution in value had been fully written off.

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### 19. LONG TERM DEFERRED EXPENSES

Type	Closing balance Rmb	Addition during the period Rmb	Reduction resulting from disposal Rmb	Amortised during the period Rmb	Opening balance Rmb	Remaining amortisation period
Land development cost	50,628,000.00	—	(37,742,028.90)	(120,000.00)	12,765,971.10	40 years
Equipment improvement	19,651.74	—	—	(5,126.52)	14,525.22	1 years
Others	140,696.79	80,000.00	—	(44,752.95)	175,943.84	5 years
	<u>50,788,348.53</u>	<u>80,000.00</u>	<u>(37,742,028.90)</u>	<u>(169,879.47)</u>	<u>12,956,440.16</u>	

The land development cost was contributed at valued amount into the Company by Beiren Group Corporation upon the Company's reorganisation as a joint stock Company. The properties erected on the land include Beiren No. 3 Plant located at Xin Hua Da Street, Tong Zhou District, Beijing, and a plant owned by the Company located at No. 44 Guangqu Road South, Chaoyang District, Beijing.

Pursuant to the request of Beijing Municipal Government for overall plan, the Company shall move from No. 44 Guangqu Road South, Chaoyang District, Beijing. In accordance with the overall plan of Beijing municipal. In July 2001, Beiren Group Corporation has agreed to give compensation to the Company when the Company moves out from the existing premises. The compensation will not be less than the unaudited book value of land development at 31 December 2000. Accordingly, no amortisation has been made by the Company since 2001. As at 30 June 2003, the Company had partially moved out from the existing address and the compensation therefor had been received.

The land development cost regarding the land, Beiren No. 3 Plant erected thereon, located at Tong Zhou District is amortized based on the straight line method.

### 20. SHORT TERM LOAN

Type of loan	Closing balance Rmb	Opening balance Rmb
Guaranteed bank loans	<b>73,500,000.00</b>	223,500,000.00
Pledged bank loans	<b>30,500,000.00</b>	32,500,000.00
Credit bank loans	<b>91,000,000.00</b>	1,000,000.00
	<u><b>195,000,000.00</b></u>	<u>257,000,000.00</u>

As at 30 June 2003, the closing balance of guaranteed bank loans bearing annual interest rates from 4.536% to 5.85% was guaranteed by Beiren Group Corporation.

As at 30 June 2003, the closing balance of outstanding guaranteed bank loans arose from a short term loan, bearing annual interest rate of 5.84%, from China Industrial and Commercial Bank (Wei Na Branch) by a subsidiary of the Company. Such loan was guaranteed by land use right with net value of Rmb15,447,506.74 and auxiliary structures erected thereon with net value of Rmb5,488,029.82 and machinery with net value of Rmb8,640,382.89.

### 21. ACCOUNTS PAYABLE

Type of loan	Closing balance Rmb	Opening balance Rmb
Bills Payable due within one year	<b>16,065,552.24</b>	37,722,813.36

The Company and Shanghai Pudong Development Bank entered into letter of credit agreement for a term of one year. Such facilities amounted to Rmb100 million, guaranteed by Beiren Group Corporation on 7 August 2002.

### 22. ACCOUNTS PAYABLE

	Closing balance Rmb	%	Opening balance Rmb	%
Within 1 year	139,494,480.44	93.75	139,090,131.26	94.93
1-2 years	5,209,086.71	3.50	3,867,664.85	2.64
2-3 years	1,968,405.76	1.32	3,561,194.64	2.43
over 3 years	2,130,011.59	1.43	—	—
	<u>148,801,984.50</u>	<u>100.00</u>	<u>146,518,990.75</u>	<u>100.00</u>

Accounts payable to shareholders who hold more than 5% of the share capital of the Company:

<b>Name of Shareholder</b>	<b>Closing balance Rmb</b>	<b>Opening balance Rmb</b>
Beiren Group Corporation	1,312,456.08	475,460.40

## 23. RECEIPTS IN ADVANCE

Receipts in advance from shareholders who hold more than 5% of the share capital of the Company.

<b>Name of Shareholder</b>	<b>Closing balance Rmb</b>	<b>Opening balance Rmb</b>
Beiren Group Corporation	18,544,728.85	47,837,247.23

Such amount was the balance of compensation for removal contributed by Beiren Group Corporation. See note 46(5)(b) for details.

## 24. DIVIDENDS PAYABLE

<b>Name of Shareholder</b>	<b>Closing balance Rmb</b>	<b>Opening balance Rmb</b>
Beiren Group Corporation	25,000,000.00	25,000,000.00
Domestic listed Rmb ordinary shares	7,200,000.00	7,200,000.00
Overseas listed foreign shares	10,000,000.00	10,000,000.00
Dividends payable to minority shareholders of subsidiaries	691,500.00	—
	<b>42,891,500.00</b>	<b>42,200,000.00</b>

## 25. TAXES PAYABLES

	<b>Closing balance Rmb</b>	<b>Opening balance Rmb</b>
Income tax	7,039,968.56	3,419,411.60
Value added tax	11,799,327.80	15,429,492.04
Business tax	32,223.71	61,306.27
Urban maintenance and construction tax	497,940.90	528,641.78
Others	125,592.87	891,183.60
	<b>19,487,053.84</b>	<b>20,330,035.29</b>

## 26. SUNDRY PAYABLES

<b>Nature</b>	<b>Basis of charges</b>	<b>Closing balance Rmb</b>	<b>Opening balance Rmb</b>
Educational surcharge	3% of value added tax and business tax payable	301,996.26	288,943.89
Others		353,596.44	981,572.45
		<b>655,592.70</b>	<b>1,270,516.34</b>

## 27. OTHER PAYABLES

The aging analysis of other payables is as follows:

	<b>Closing balance Rmb</b>	<b>%</b>	<b>Opening balance Rmb</b>	<b>%</b>
Within 1 year	28,766,134.63	24.57	29,664,682.95	24.89
1 year - 2 years	3,171,210.03	2.71	9,291,032.15	7.80
2 years - 3 years	82,203,165.17	70.21	80,057,800.15	67.18
Over 3 years	2,948,417.59	2.51	157,248.07	0.13
	<b>117,088,927.42</b>	<b>100.00</b>	<b>119,170,763.32</b>	<b>100.00</b>

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

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Name of Shareholder	Closing balance Rmb	Opening balance Rmb
Beiren Group Corporation	<b>78,266,627.28</b>	78,266,627.28

As at 30 June 2003, the Company had payments of Rmb78,266,627.28 due to Beiren Group Corporation in respect of the acquisition of assets of Beijing No. 4 Plant.

### 28. ACCRUED EXPENSES

	Closing balance Rmb	Opening balance Rmb
Expected liabilities	<b>22,183,713.00</b>	22,183,713.00

The document Shan Cai Ban Ci [2002] No. 3 "Reply to the Issues in respect of the State-owned assets of Shaanxi Huanggong Group Printing Machinery Company Limited" issued by Shaanxi Ministry of Finance approved the acquisition of Shaanxi Huanghe Construction Machinery Group Company Limited ("Shaanxi Huanghe") equity interest in Shaanxi Huanggong Group Printing Machinery Company Limited ("Shaanxi Printing Machinery") by the Company. With effective date as at 30 November 2001, net asset value of Shaanxi Printing Machinery was Rmb23,410,000 (including operating assets of Rmb18,170,000 and non-operating assets of Rmb5,240,000) was transferred to the Company. When the Company acquired the equity interest in Shaanxi Printing Machinery, the Company will be responsible for employment of all staff and management of all resigned and retired staff of Shaanxi Printing Machinery.

According to the relevant requirements of the document (1998) No. 57 "Implementation Procedure of Settlement for Employees of State Small Enterprises from Reform in Shaanxi Province" issued by Shaanxi Ministry of Labour, the Company was liable to pay settlement fee of Rmb16,185,000.00 to well off employees, medical fee of Rmb5,998,713.00 to retired employees. The total of such two amounts was Rmb22,183,713.00, which was accrued as the Company's liabilities. Such total amount and the difference of Rmb1,226,287.00 arising from the transfer of net assets of Rmb23,410,000.00 were transferred to capital reserve.

### 29. ACCRUALS

	Closing balance Rmb	Opening balance Rmb
Exhibition fee	4,000,000.00	2,000,000.00
Others	2,252,111.75	1,161,310.81
	<b>6,252,111.75</b>	3,161,310.81

### 30. LONG TERM LOANS

Name of lender	Closing balance Rmb	Opening balance Rmb	Term of loans	Interest rate per annum %	Terms of loans	
China Industrial and Commercial Bank (Wei Zhou Branch)	<b>28,000,000.00</b>	32,000,000.00	22.1.2002-3.11.2004	Interest-free	Credit loans	Note 1
China Industrial and Commercial Bank (Wei Zhou Branch)	<b>3,400,000.00</b>	3,750,000.00	11.9.1998-10.9.2004	8.01	Guaranteed Loans	Note 2
China Construction Bank (Wei Zhou Branch)	<b>15,000,000.00</b>	15,000,000.00	26.9.2002-26.9.2004	6.04	Pledged Loans	Note 3
	<b>46,400,000.00</b>	50,750,000.00				
Less: Long term debt due within one year	<b>(4,050,000.00)</b>	(4,400,000.00)				
Repayable due within one year	<b>42,350,000.00</b>	46,350,000.00				
Types of loans repayable within one years:						
Pledged loans	<b>2,000,000.00</b>	2,000,000.00				
Guaranteed loans	<b>2,050,000.00</b>	2,400,000.00				

Note 1: According to the requirements of the Document Gong Yin Shan Ban Fa [2001] No. 440 and the Document Guo Fa [97] No. 10, upon the transfer of Shaanxi Beiren Printing sale and Machinery Company ("Shaanxi Printing Machinery") to the Company, China Industrial and Commercial Bank (Wei Zhou Branch) provided a loan of Rmb32,000,000.00 to the Company. Such loan was interest-free in the relevant period. The Company had repaid Rmb4,000,000.00 during the period. As at 30 June 2003, the balance of the loan amounted to Rmb28,000,000.00.

Note 2: China Industrial and Commercial Bank (Wei Zhou Branch) provided an outstanding long term loan of Rmb3,400,000.00 to the Company, which was guaranteed by Shaanxi Huanggong Group Printing Machinery Company Limited.

Note 3: China Construction Bank (Wei Zhou Branch) provided an outstanding long term loan of Rmb15,000,000.00 to the Company which was guaranteed by land use right valued at Rmb14,069,740.97 and properties valued at Rmb4,506,269.08.

### 31. LONG TERM PAYABLES

	Closing balance Rmb	Opening balance Rmb
Beijing Plastic Printing Factory	<u>29,550,000.00</u>	<u>29,550,000.00</u>

Beijing Plastic Printing Factory contributed part of its net assets to Beijing Beiren Yuxin Plastic Printing Company Limited ("Beiren Yuxin") in December 2001 as its long term investment therein, including a long term loan of Rmb18,450,000.00 and a short term loan of Rmb11,100,000.00. In 2002, Beiren Yuxin and Beijing 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. Beiren Yuxin will repay the principal to Beijing Plastic Printing Factory by equal installments on a monthly basis during 2004 to 2007.

### 32. DEFERRED TAX CREDIT

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

In accordance with the relevant regulations issued by the Ministry of Finance, the future tax payable arising from investment in non-cash assets before 1997 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.

### 33. SHARE CAPITAL

During the period from 1 January to 30 June 2003, changes in the Company's share capital are as follows:

	Opening balance (Share)	Issue of new shares (note)	Closing balance (shares)
A. Non-circulating shares			
1. Promoter's shares - State-owned legal person shares	250,000,000.00	—	250,000,000.00
Sub-total of non-circulating shares	<u>250,000,000.00</u>	<u>—</u>	<u>250,000,000.00</u>
B. Circulating shares			
1. Domestic listed Renminbi ordinary shares	50,000,000.00	22,000,000.00	72,000,000.00
2. Overseas listed foreign shares	100,000,000.00	—	100,000,000.00
Sub-total of circulating shares	<u>150,000,000.00</u>	<u>22,000,000.00</u>	<u>172,000,000.00</u>
C. Total number of shares	<u>400,000,000.00</u>	<u>22,000,000.00</u>	<u>422,000,000.00</u>

Note: Pursuant to the resolutions passed at the general meetings held on 16 May 2001 and 11 June 2002 respectively and upon the approval Zheng Jian Fa Hang Zi [2002] NO. 133 issued by the China Securities Regulatory Commission, the Company issued not more than 22,000,000 additional Renminbi-denominated ordinary shares (A Shares) with a par value of Rmb1.00 each. An underwriting agreement was entered into between the Company and 招商證券股份有限公司 (China Merchants Securities Co., Ltd.) in respect of the issue of A Shares under which China Merchants Securities Co., Ltd. acted as the lead underwriter. A combination of "book-building" process with the network targeting at institutional investors and the public investors was adopted and the final issue price was determined at Rmb7.00.

On 7 January 2003, the Company issued 22,000,000 additional Renminbi-denominated ordinary shares (A Shares) with proceeds deposited on 8 January 2003, and Deloitte Touche Tohmatsu Hua Yong Certified Public Accountants Co., Ltd. has issued a capital verification report Yan Zheng De Shi (Jing) Yan Bao Zi (03) No. 001.

The nominal value of each of the above shares is Rmb1.00.

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### 34. CAPITAL RESERVE

During 2002 and the period from 1 January to 30 June 2003, changes in capital reserve are as follows:

	Share Premium Rmb (note 1)	Provision of equity investment Rmb	Other capital reserve Rmb (note 2)	Total Rmb
As at 1 January 2002	398,134,633.19	1,376,667.85	—	399,511,301.04
Addition in previous year	—	18,292.25	1,226,287.00	1,244,579.25
As at 31 December 2002	398,134,633.19	1,394,960.10	1,226,287.00	400,755,880.29
Addition in the period	119,170,845.74	—	24,663.05	119,195,508.79
As at 30 June 2003	<u>517,305,478.93</u>	<u>1,394,960.10</u>	<u>1,250,950.05</u>	<u>519,951,389.08</u>

Note 1: The increase in share premium by Rmb132,000,000.00 in the period was the balance of the proceeds raised from the Company's issue of additional A Shares after deducting the listing expenses of Rmb12,829,154.26 in connection with such issue of shares.

Note 2: Addition in other capital reserve was due to a transfer in resulting from the inability of a subsidiary to pay its accounts payable.

### 35. SURPLUS RESERVE

During 2002 and the period from 1 January to 30 June 2003, changes in surplus reserve are as follows:

	Statutory surplus reserve Rmb	Discretionary surplus reserve Rmb	Statutory public welfare fund Rmb	Total Rmb
As at 1 January 2002	48,011,218.00	42,979,710.17	42,358,869.42	133,349,797.59
Addition in previous period	6,650,398.46	—	6,650,398.46	13,300,796.92
As at 31 December 2002	54,661,616.46	42,979,710.17	49,009,267.88	146,650,594.51
Addition in the period	5,453,369.49	—	5,453,369.49	10,906,738.98
As at 30 June 2003	<u>60,114,985.95</u>	<u>42,979,710.17</u>	<u>54,462,637.37</u>	<u>157,557,333.49</u>

Discretionary surplus reserve can be used to cover loss recorded before, expand production capacity and operations and increase capital. Statutory public welfare fund can be used for welfare of employees.

### 36. RETAINED PROFITS

	For the six months ended 30.6.2003 Rmb	For the six months ended 30.6.2002 (Accumulated) Rmb
Retained profits brought forward	31,702,840.27	18,262,946.55
Add: Net profits for the year	54,287,823.14	46,512,543.55
Less: Transfer to statutory surplus reserve (note 1)	(5,453,369.49)	(4,395,868.02)
Transfer to statutory public welfare fund (note 2)	(5,453,369.49)	(4,395,868.02)
Dividends payable of ordinary shares	—	—
Retained profits carried forward	<u>75,083,924.45</u>	<u>55,983,754.06</u>

Note 1: Transfer to statutory surplus reserve

According to the Rule 177 of the Company Law and Articles of Association of the Company, 10% of net profit is transferred to statutory surplus reserve, subject to the approval of shareholders' general meeting.

Note 2: Transfer to statutory public welfare fund

According to the Rule 177 of the Company Law and Articles of Association of the Company, 10 % of net profit is transferred to statutory public welfare fund as proposed by the Board of Directors, subject to the approval of shareholders' general meeting.

**37. TURNOVER AND COST OF SALES FROM MAJOR OPERATIONS**

	For the six months ended 30.6.2003 (Accumulated)		For the six months ended 30.6.2002 (Accumulated)	
	Turnover Rmb	Cost of sales Rmb	Turnover Rmb	Cost of sales Rmb
Local sales				
Sheet-fed offset printing machines	274,634,007.09	164,873,234.75	302,717,665.22	195,006,334.75
Web-fed offset printing machines	56,831,503.18	43,580,679.19	41,149,657.92	31,027,459.59
Instrusion printing machines	59,138,404.01	44,056,735.76	53,601,511.72	40,420,268.84
Pressing machines	978,632.48	1,561,267.03	—	—
Form-printing machines	28,401,709.40	22,087,143.51	27,145,299.12	19,859,046.75
Sale of spare parts	11,385,476.67	7,984,911.97	8,960,124.53	8,768,571.62
Printing operations	13,225,251.39	9,163,518.35	5,202,813.04	3,669,128.73
Others	5,243,563.05	3,970,178.90	—	—
	<u>449,838,547.27</u>	<u>297,277,669.46</u>	<u>438,777,071.55</u>	<u>298,750,810.28</u>
Export sales				
Sale of sheet-fed paper	5,648,723.41	4,188,175.00	1,254,758.79	1,333,020.77
Sale of form-printing machines	5,696,630.90	4,601,738.74	—	—
	<u>11,345,354.31</u>	<u>8,789,913.74</u>	<u>1,254,758.79</u>	<u>1,333,020.77</u>
	<u><u>461,183,901.58</u></u>	<u><u>306,067,583.20</u></u>	<u><u>440,031,830.34</u></u>	<u><u>300,083,831.05</u></u>
Percentage of sales to the top five customers Rmb	Percentage of the total sales			
<u>79,177,800.00</u>	<u>17.17</u>			

**38. SALES TAX AND SURCHARGE FROM PRINCIPAL OPERATIONS**

Item of turnover	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

**39. FINANCE COSTS**

	For the six months ended 30.6.2003 (Accumulated) Rmb	For the six months ended 30.6.2002 (Accumulated) Rmb
Interest expenses	6,460,243.92	8,739,457.37
Less: Interest income	1,026,637.73	590,573.22
Exchange loss	3,392.84	163,185.96
Less: Exchange income	156,759.31	106,041.80
Handling charge of financial institutions and others	142,548.31	170,170.36
	<u>5,422,788.03</u>	<u>8,376,198.67</u>

**40. INVESTMENT INCOME**

	For the six months ended 30.6.2003 (Accumulated) Rmb	For the six months ended 30.6.2002 (Accumulated) Rmb
Long term investment income		
Income (loss) recognized using equity method	(214,355.17)	(687,437.38)
Loss on provision for diminution in value of long term investments	(5,768,506.36)	(1,170,938.97)
Amortisation of difference in equity investment	(12,908.07)	—
	<u>(5,995,769.60)</u>	<u>(1,858,376.35)</u>



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### 41. NON-OPERATING INCOME

Item	For the six months ended 30.6.2003 (Accumulated) Rmb	For the six months ended 30.6.2002 (Accumulated) Rmb
Net income from disposal of fixed assets	1,308,017.69	3,462,584.20
Penalty income	7,840.00	4,110.00
Others	56,637.40	574,745.61
	<u>1,372,495.09</u>	<u>4,041,439.81</u>

### 42. NON-OPERATING EXPENSES

Item	For the six months ended 30.6.2003 (Accumulated) Rmb	For the six months ended 30.6.2002 (Accumulated) Rmb
Expenses on disposal of fixed assets, net	499,827.22	113,286.07
Provision for impairment of construction in progress	(6,248,048.13)	—
Write-back of provision for impairment of fixed assets	—	14,075,905.19
Penalty expenses	4,981.07	24,990.81
Others	117,825.06	40,704.46
	<u>(5,625,414.78)</u>	<u>(3,896,923.85)</u>

### 43. INCOME TAX

Item	For the six months ended 30.6.2003 (Accumulated) Rmb	For the six months ended 30.6.2002 (Accumulated) Rmb
Income tax of the Company	9,979,317.24	8,197,451.86
Income tax of subsidiaries	989,237.79	186,571.00
	<u>10,968,555.03</u>	<u>8,384,022.86</u>

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

	Amount Rmb
Agency commission paid	1,513,375.73
Payment for trademark fee	3,172,004.17
Audit fee	1,130,950.00
Installation and testing fee	2,284,118.78
Repairs and maintenance	1,697,907.29
Advertising, promotion and exhibition	5,044,630.30
Transportation fee	1,765,296.87
Research and development expenses	1,570,739.35
Heat charges	2,810,509.80
Others	29,191,613.14
	<u>50,181,145.43</u>

### 45. SEGMENT INFORMATION

As substantially all of the Company'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.

## 46. RELATED PARTIES TRANSACTIONS

### (1) Related parties that have controlling relationship, except subsidiaries as mentioned in note 5

Name of related party	Place of registration	Main Business	Relations with the Company	Type of Corporation	Legal representative
Beiren Group Corporation	Beijing Chaoyang District	Manufacturing and sales of printing machines, packing machines, machine beds and parts and components of such machines; technology development and 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.	controlling shareholder	Stated-owned Company	Zhu Wuan

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

Name of related party	Opening balance		Closing balance	
	Rmb'000	%	Rmb'000	%
Beiren Group Corporation	25,000	62.5	25,000	59.24

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

Name of related party	Opening balance	Addition in the period	Reduction in the period	Closing balance
Beiren Group Corporation	Rmb250,000,000.00	—	—	Rmb250,000,000.00
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
Beijing Tai He Printing 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 Company Limited	Rmb4,802,600.00	Rmb197,400.00	—	Rmb5,000,000.00
Haimen Beiren Printing Machinery Company Limited	Rmb29,000,000.00	—	—	Rmb29,000,000.00
Sheenlife Limited	HK\$3.00	—	—	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
Shaanxi Beiren Printing Machinery Company Limited	Rmb100,000,000.00	—	—	Rmb100,000,000.00

### (4) Relationship with related parties with no controlling relationship

Name of related party	Relations with the Company
Beijing Yan Long Import and Export Company	Fellow subsidiary of the controlling shareholder
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
Beijing Monigraf Automatic Systems Company Limited	Associated Company

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

**(a) Sales and purchases**

Details of sales and purchases with related party are as follows:

	For the six months ended 30.6.2003 (Accumulated) <i>Rmb</i>	For the six months ended 30.6.2002 (Accumulated) <i>Rmb</i>
Sales transacted on behalf of the Company		
- Xian Beiren Beifu Printing Machinery Operation and Sale Company Limited	6,423,128.21	6,581,965.81
- Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	23,712,090.88	14,187,252.07
- Hubei Beiren Printing Machinery Operation and Sale Company Limited	22,051,274.85	24,943,504.27
- Liaoning Beiren Printing Machinery Operation and Sale Company Limited	6,321,109.38	11,095,042.74
- Guangzhou Beiren Hengtong Printing Machinery Operation and Sale Company Limited	2,687,451.86	2,088,376.07
- Beijing Yan Long Import and Export Company	3,700,000.00	—
- Beiren Group Corporation	5,633,000.00	22,171.20
- Beijing Monigraf Automatic Systems Company Limited	886,108.41	—
	<b>71,414,163.59</b>	<b>58,918,312.16</b>
Purchase		
Purchase of materials		
- Beijing Beiyong Casting Company Limited	3,844,988.90	—
- Beijing Yan Long Import and Export Company	676,574.65	123,195.15
- Beiren Group Corporation	4,829,405.04	—
- Beiren Tai He Printing and Casting Factory	8,027,396.59	—
- Beijing Monigraf Automatic Systems Company Limited	1,018,867.92	—
	<b>18,397,233.10</b>	<b>123,195.15</b>

Prices of goods sold to the above connected companies are made with reference to those of comparative goods in the market.

**(b) Removal compensation**

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. According to Circular Jing Jing [2002] No.546 "Reply to the Feasibility Study on Technological Innovation through Removal of Polluting Plants by Beiren Group Corporation" issued by Beijing Economic Committee, Beijing Economic Committee agreed that Beiren Group Corporation paid removal compensation to the Company for the above removal. As at 30 June 2003, the Company received accumulation of removal compensation in advance amounting to Rmb175,914,543.37, Rmb142,999,273.37 of such payment recognized as write-back of loss arising from disposal of removal assets in the ruling period; Rmb14,370,541.15 was compensation for the loss incurred in respect of the suspension of production during the period. However, as the removal work is still in progress that such loss arising from suspension of production has not been confirmed with the Group. The balance amounting to Rmb18,544,728.85 was compensation for removal received in advance.

**(c) Guarantee**

As at 30 June 2003, Beiren Group Corporation guaranteed a short term loan amounting to Rmb73,500,000 and banking facilities amounting to Rmb100 million in respect with Letter of Credit Agreement on behalf of the Company.

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(d) Others

		For the six months ended 30.6.2003 (Accumulated) Rmb	For the six months ended 30.6.2002 (Accumulated) Rmb
Sale commission paid			
– Xian Beiren Beifu Printing Machinery Operation and Sale Company Limited	Note 1	178,180.00	165,500.00
– Hubei Beiren Printing Machinery Operation and Sale Company Limited		34,330.00	20,893.30
– Beijing Beiren Hengong Printing Machinery Operation and Sale Company Limited		741,364.10	183,951.14
– Liaoning Beiren Printing Machinery Operation and Sale Company Limited		118,337.35	103,000.00
– Guangzhou Beiren Hengong Printing Machinery Operation and Sale Company Limited		387,950.00	148,610.95
		<u>1,460,161.45</u>	<u>621,955.39</u>
Payment for the land use	Note 2		
– Beiren Group Corporation		<u>—</u>	<u>805,182.22</u>
Trademark fee paid	Note 3		
– Beiren Group Corporation		<u>3,172,004.17</u>	<u>2,687,013.69</u>
Rental income			
– Beiren Tai He Printing and Casting Factory		687,949.05	—
– Beijing Monigraf Automatic Systems Company Limited	Note 4	50,000.00	50,000.00
		<u>737,949.05</u>	<u>50,000.00</u>

Note 1: Since 2002, the Company has been selling its products to external parties through its invested companies or controlled associated companies and paying sales commission to those companies.

Note 2: On 18 April 1994, the Company and Beiren Group Corporation entered into an agreement, according to which the Company could lease the factory site, road and the relevant facilities it was then occupying for a term of 50 years with effect from 1 January 1993, for a rent of Rmb2,000,000.00 per year. The Company moved during the year. Part of that factory site, road and the relevant facilities were not used. Beiren Group Corporation agreed to reduce land use fee accordingly. As at 30 June 2003, the Group had not recognised the relevant account reduced.

Note 3: On 14 July 1993, the Company and Beiren Group Corporation entered into an agreement, according to which the Company could have the right to use "Beiren" brand name for a consideration of the higher of 1% of sales revenue of good sold under "Beiren" brand name during that year, and Rmb15,000.00 per quarter.

Note 4: The Company leased a plant to Beijing Monigraf Automatic Systems Company Limited for a term of 3 years with effect from December 2001, for a rent of Rmb100,000.00 per year.

(e) Current accounts with related parties

Item	Name of related parties	Closing balance Rmb	Opening balance Rmb
Accounts receivable	Hubei Beiren Printing Machinery Operation and Sale Company Limited	6,486,500.00	4,159,850.79
	Xian Beiren Beifu Printing Machinery Operation and Sale Company Limited	4,555,530.00	1,308,111.67
	Liaoning Beiren Printing Machinery Operation and Sale Company Limited	2,732,200.00	3,932,200.00
	Beijing Beiren Hengong Printing Machinery Operation and Sale Company Limited	3,124,300.00	4,918,000.00
	Beiren Group Corporation	4,299,300.00	1,298,300.00
	Beiren Yan Long Import and Export Company	3,700,000.00	—
		<u>24,897,830.00</u>	<u>15,616,462.46</u>
Bills receivable	Beijing Beiren Hengong Printing Machinery Operation and Sale Company Limited	900,000.00	1,730,000.00
	Hubei Beiren Printing Machinery Operation and Sale Company Limited	5,486,000.00	100,000.00
	Beijing Beiren Hengong Printing Machinery Operation and Sale Company Limited	960,000.00	—
		<u>7,346,000.00</u>	<u>1,830,000.00</u>
Others receivable	Beiren Group Corporation	19,781.75	—
	Beiren Tai He Printing and Casting Factory	2,864,115.74	—
	Beijing Beiren Transportation Company	786,902.13	786,902.13
	Beijing Beiyang Casting Company Limited	3,000,000.00	—
		<u>6,670,799.62</u>	<u>786,902.13</u>

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Item	Name of related parties	Closing balance Rmb	Opening balance Rmb
Receipts in advance	Guangzhou Beiren Hengtong Printing Machinery Operation and Sale Company Limited	1,000,000.00	—
	Beiren Group Corporation – removal compensation	18,544,728.85	47,837,247.23
	Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	900,000.00	—
		<u>20,444,728.85</u>	<u>47,837,247.23</u>
Accounts payable	Beiren Group Corporation	1,312,456.08	475,460.40
	Beiren Yan Long Import and Export Company	742,149.38	1,009,151.38
		<u>2,054,605.46</u>	<u>1,484,611.78</u>
Other receivables	Beiren Group Corporation	<u>78,268,227.28</u>	<u>78,266,627.28</u>

### 47. CONTINGENT EVENTS

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

### 48. COMMITMENTS

#### (1) Capital commitments

	Closing balance Rmb'000	Opening balance Rmb'000
Contracted but not executed for purchase of assets	<u>28,422</u>	<u>102,911</u>

#### (2) Lease Commitments

As at the balance sheet date, irrevocable operating leases entered into with external parties are as follows:

	Closing balance Rmb'000	Opening balance Rmb'000
Minimum rental payment for irrevocable operating leases:		
Within 1 year after the balance sheet date	1,011	927
In the second year after the balance sheet date	554	296
In the third year after the balance sheet date	448	260
Subsequent years	2,407	1,055
Total	<u>4,420</u>	<u>2,538</u>

### 49. NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

#### (1) Bills receivable

	Closing balance Rmb	Opening balance Rmb
Bills bills	<u>31,561,800.00</u>	<u>16,665,896.19</u>

Bills receivable are not pledged at the end of the year.

There was no receivable from shareholders who hold more than 5% of the share capital of the Company.

#### (2) Accounts receivable

The ageing analysis of accounts receivable is as follows:

	Closing balance				Opening balance			
	Amount	Percentage	Provision for bad debts	Net amount	Amount	Percentage	Provision for bad debts	Net amount
	Rmb	(%)	Rmb	Rmb	Rmb	(%)	Rmb	Rmb
Within 1 year	123,156,968.58	69.63	—	123,156,968.58	106,349,800.43	69.60	—	106,349,800.43
1-2 years	31,370,048.71	17.74	9,411,014.61	21,959,034.10	29,886,158.24	19.56	8,965,847.47	20,920,310.77
2-3 years	6,654,884.50	3.76	3,939,530.70	2,715,353.80	1,394,600.00	0.91	836,760.00	557,840.00
More than 3 years	15,689,204.81	8.87	6,168,720.61	9,520,484.20	15,171,935.06	9.93	4,600,300.35	10,571,634.71
	<u>176,871,106.60</u>	<u>100.00</u>	<u>19,519,265.92</u>	<u>157,351,840.68</u>	<u>152,802,493.73</u>	<u>100.00</u>	<u>14,402,907.82</u>	<u>138,399,585.91</u>

Accounts receivable from shareholders who hold 5% of the share capital of the Company:

<b>Name of Shareholder</b>	<b>Closing balance Rmb</b>	<b>Opening balance Rmb</b>
Beiren Group Corporation	<b>4,229,300.00</b>	<b>1,298,300.00</b>

**(3) Other receivables**

The ageing analysis of accounts receivable is as follows:

	Amount Rmb	Percentage (%)	Closing balance Provision for bad debts Rmb	Net amount Rmb	Amount Rmb	Percentage (%)	Opening balance Provision for bad debts Rmb	Net amount Rmb
Within 1 year	16,880,525.29	22.17	—	16,880,525.29	13,675,908.93	18.44	—	13,675,908.93
1-2 years	374,521.00	0.49	115,237.01	259,283.99	613,355.11	0.83	—	613,355.11
2-3 years	298,350.00	0.39	—	298,350.00	298,350.00	0.40	—	298,350.00
More than 3 years	58,575,357.30	76.95	6,000,000.00	52,575,357.30	59,575,357.30	80.33	4,843,681.70	54,731,675.60
	<b>76,128,753.59</b>	<b>100.00</b>	<b>6,115,237.01</b>	<b>70,013,516.58</b>	<b>74,162,971.34</b>	<b>100.00</b>	<b>4,843,681.70</b>	<b>69,319,289.64</b>

Other receivables from shareholders who hold 5% of the share capital of the Company:

<b>Name of Shareholder</b>	<b>Closing balance Rmb</b>	<b>Opening balance Rmb</b>
Beiren Group Corporation	<b>19,781.75</b>	<b>—</b>

**(4) Provision for bad debt**

	<b>Rmb</b>
Opening balance	<b>19,246,589.52</b>
Provision in the period	<b>7,107,913.41</b>
Transfer in the period	<b>(720,000.00)</b>
Closing balance	<b>25,634,502.93</b>

**(5) Prepayment**

Ageing analysis of prepayment is as follows:

	Closing balance Rmb	%	Opening balance Rmb	%
Within 1 year	<b>6,164,695.77</b>	<b>100.00</b>	<b>5,103,949.21</b>	<b>100.00</b>

The balance of prepayment was not due from shareholders holding 5% of the share capital of the Company.

**(6) Inventories and provision for diminution in value of inventories**

	Amount Rmb	Closing balance Provision for diminution in value Rmb	Net balance Rmb	Amount Rmb	Opening balance Provision for diminution in value Rmb	Net balance Rmb
Raw materials	31,535,059.46	1,197,879.88	30,337,179.58	31,843,952.90	2,425,515.50	29,418,437.40
Work in progress	147,336,576.58	10,278,738.00	137,057,838.58	160,327,363.57	10,278,738.01	150,048,625.56
Finished goods	180,790,542.88	15,034,675.42	165,755,867.46	169,516,428.44	12,937,509.00	156,578,919.44
Semi-finished goods	25,011,387.77	—	25,011,387.77	33,296,060.50	—	33,296,060.50
	<b>384,673,566.69</b>	<b>26,511,293.30</b>	<b>358,162,273.39</b>	<b>394,983,805.41</b>	<b>25,641,762.51</b>	<b>369,342,042.90</b>

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

	<b>Rmb</b>
Opening balance	<b>25,641,762.51</b>
Provision for the period	<b>2,877,735.91</b>
Transfer during the period	<b>(2,008,205.12)</b>
Closing balance	<b>26,511,293.30</b>

# 2003 Interim Report

## (7) Long term equity investment

	Closing balance <i>Rmb'000</i>	Opening balance <i>Rmb'000</i>
Investment in subsidiaries included in the scope of consolidation	146,001,258.18	143,799,157.48
Investment in subsidiaries not included in the scope of consolidation	4,550,619.73	2,583,942.96
Investment in associated companies	9,976,150.95	15,172,636.83
Sub-total	160,528,028.86	161,555,737.27
Less: provision for impairment of long term equity investment	(2,840,137.76)	(1,071,631.40)
Long term equity investment, net	157,687,891.10	160,484,105.87

Changes in provision for impairment of long term equity investment are as follows:

	<i>Rmb</i>
Opening balance	1,071,631.40
Addition in the period	1,768,506.36
Transfer in the period	—
Closing balance	2,840,137.76

Details of investment in subsidiaries and associated companies are as follows:

Name of invested companies	Initial investment <i>Rmb</i>	Addition investment <i>Rmb</i>	Share of registered/ equity holding %	Increase/ decrease in equity interest in investee companies <i>Rmb</i>	Share of cash bonus <i>Rmb</i>	Accumulated increase/ decrease <i>Rmb</i>	Provision for impairment (note) <i>Rmb</i>	Closing book value <i>Rmb</i>
Subsidiaries included in the scope of consolidation								
Beijing Beiren Fuji Printing Machinery Company Limited	29,632,699.26	—	70.00	2,982,583.24	(1,613,500.00)	6,974,134.11	—	36,606,833.37
Beijing Beiren Jing Yan Printing Machinery Factory	4,000,000.00	—	98.77	87,173.11	—	(2,665,952.54)	—	1,334,047.46
Beijing Beiren Printing Machinery Accessories Factory	1,892,913.00	—	94.65	(171,919.72)	—	(1,171,126.30)	—	721,786.70
Hebei Beiren Gei Zh Ji Chang	2,434,100.00	99,900.00	50.68	(156,955.37)	—	(42,080.51)	—	2,491,919.49
Haimen Beiren Printing Machinery Company Limited	14,848,000.00	—	51.20	(279,260.07)	—	(12,271,345.60)	—	2,576,654.40
Shenlifa Limited	3.51	—	100.00	—	—	(3.51)	—	—
Beijing Beiyang Casting Company Limited	—	1,123,091.93	20.00	34,662.76	—	34,662.76	—	1,157,754.69
Beijing Beiren Yaxin Plastic Printing Company Limited	15,400,000.00	—	68.66	193,890.39	—	293,563.31	—	15,693,563.31
Shanxi Beiren Printing Company Limited	84,180,000.00	—	84.18	2,156,085.32	—	200,570.44	—	84,380,570.44
Zhejiang Beiren Printing Machinery Operation and	825,000.00	—	55.00	5,419.03	—	213,128.32	—	1,038,128.32
	153,212,715.77	1,222,991.93		4,851,678.69	(1,613,500.00)	(8,434,449.52)	—	146,001,258.18
Subsidiaries not included in the scope of consolidation								
Beijing Beiren Printing Machinery Transportation Company	2,500,000.00	—	62.50	(415,326.61)	—	(731,493.64)	(1,768,506.36)	—
Beijing Beiren Transportation Company	—	—	—	—	—	—	—	—
Xian Beiren Beifu Printing Machinery Operation and Sale Company Limited	3,150,000.00	—	100.00	—	—	(2,078,368.60)	(1,071,631.40)	—
Hubei Beiren Printing Machinery Operation and Sale Company Limited	735,000.00	—	49.00	62,089.88	—	72,569.55	—	807,569.55
Operation and Sale Company Limited	765,000.00	—	51.00	136,080.53	—	137,912.42	902,912.42	—
	7,150,000.00	—	—	(217,156.20)	—	(2,599,380.27)	(2,840,137.76)	1,710,481.97
Associated companies								
Ningxia Beiren Xinhua Printing Joint Stock Company Limited	10,680,000.00	(5,100,000.00)	28.76	(220,711.23)	—	(1,092,800.28)	—	4,487,199.72
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	900,000.00	—	45.00	134,337.10	—	120,152.42	—	1,020,152.42
Guangzhou Beiren Hengtong Printing Machinery Operation and Sale Company Limited	450,000.00	—	30.00	(31,070.00)	—	(27,625.88)	—	422,374.12
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	343,000.00	—	49.00	(11,735.20)	—	(4,268.76)	—	338,731.24
Beijing Monigraf Automatic Systems Company Limited	3,675,000.00	—	49.00	32,693.45	—	32,693.45	—	3,707,693.45
	16,048,000.00	(5,100,000.00)	—	(96,485.88)	—	(971,849.05)	—	9,976,150.95
	176,410,715.77	(3,877,008.07)		4,538,036.61	(1,613,500.00)	(12,005,678.84)	(2,840,137.76)	157,687,891.10

**(8) Turnover and Cost of sales from Major Operations**

	For the six months ended 30.6.2003 (Accumulated)		For the six months ended 30.6.2002 (Accumulated)	
	Turnover Rmb	Cost of sales Rmb	Turnover Rmb	Cost of sales Rmb
Local sales				
Sheet-fed offset printing machines	285,172,297.31	161,035,195.14	285,324,860.48	187,929,666.09
Web-fed offset printing machines	56,831,503.18	43,580,679.19	41,149,657.92	31,027,459.59
Pressing machines	978,632.48	1,561,267.03	—	—
Sale of spare part	6,449,875.82	6,033,261.67	5,206,215.67	5,604,194.53
	<u>349,432,308.79</u>	<u>212,210,403.03</u>	<u>331,680,734.07</u>	<u>224,561,320.21</u>
Export sales				
Sale of printing machines	5,648,723.41	4,188,175.00	—	—
	<u>5,648,723.41</u>	<u>4,188,175.00</u>	<u>—</u>	<u>—</u>
	<u><b>335,081,032.20</b></u>	<u><b>216,398,578.03</b></u>	<u><b>331,680,734.07</b></u>	<u><b>224,561,320.21</b></u>

**(9) Investment Income**

	For the six months ended 30.6.2003 (Accumulated) Rmb	For the six months ended 30.6.2002 (Accumulated) Rmb
Long term investment income		
Income recognized using equity method	4,538,036.61	(2,944,093.31)
Loss on provision for diminution in value of long term investments	(5,768,506.36)	—
Amortisation of difference in equity investment	(12,908.07)	—
	<u><b>(1,243,377.82)</b></u>	<u><b>(2,944,093.31)</b></u>

**1. Effect on the financial statement from Differences between accounts prepared under PRC accounting standards and Hong Kong accounting standards**

The financial statement was prepared under PRC accounting standards, which was different from that prepared under Hong Kong accounting standards.

The Company recorded net profit of Rmb54,288,000 for the six months ended 30 June 2003 and net assets of Rmb1,174,594,000 as at 30 June 2003 according to the legal financial report, and main adjustment on net profit and net assets prepared under Hong Kong accounting standards are as follows:

	Net profit		Net assets	
	For the current period RMB'000	For the same period last year RMB'000 (restated)	Closing balance RMB'000	Opening balance RMB'000 (restated)
Prepared under PRC accounting standards				
- as restated	54,288	46,513	1,174,594	979,111
Adjustments made to conform with accounting principles generally accepted in Hong Kong:				
- difference in valuation of net assets contributed to the Company by Beiren Group Corporation	—	—	(60,198)	(60,198)
- consequential adjustment on net assets contributed by Beiren Group Corporation	120	—	47,432	9,570
- difference in valuation of net assets upon acquisition of a subsidiary	—	—	—	(792)
- difference in valuation of capital contribution to subsidiaries	16	16	(1,726)	(1,742)
- receipt of option payments recognized as income under PRC accounting standards	—	—	(24,209)	(24,209)
- difference in recognition of liability for final dividends	—	—	—	42,200



# 2003 Interim Report

	Net profit		Net assets	
	For the	For the same	Closing	Opening
	current period	period last year	balance	balance
	RMB'000	RMB'000	RMB'000	RMB'000
		(restated)		(restated)
- difference in impairment loss in value of other assets	4,000	—	12,333	8,333
- difference in recognition of deferred tax	1,158	—	12,270	—
- recognition of goodwill upon acquisition of a subsidiary	—	—	4,479	—
- amortization of goodwill upon acquisition of a subsidiary	(224)	—	(672)	—
- others	(526)	348	(1,292)	(742)
Prepared under Hong Kong accounting standards	58,832	46,877	1,163,011	951,531
Less: prior period adjustments				
- difference in recognition of deferred tax	—	654	—	11,112
- recognition of deferred tax liability charged to goodwill upon acquisition of a subsidiary	—	—	—	4,479
- amortization of goodwill upon acquisition of a subsidiary	—	(224)	—	(448)
- adjustment of difference in valuation of net assets upon acquisition of a subsidiary	—	—	—	792
- adjustment of fair value of assets upon acquisition of a subsidiary	—	434	—	—
	58,832	47,741	1,163,011	967,466

## 2. Returns on net assets and earnings per share on fully diluted basis and weighted average basis

	Returns on net assets (%)				Earnings per share (Rmb/share)			
	Fully diluted	Weighted average	Fully diluted	Weighted average	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit for the period	2003	2002	2003	2002	2003	2002	2003	2002
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
Profit from principal operations	12.92	13.63	13.51	13.95	0.36	0.34	0.36	0.34
Operating profit	5.59	5.44	5.84	5.57	0.16	0.14	0.16	0.14
Net profit	4.62	4.66	4.83	4.77	0.13	0.12	0.13	0.12
Net profit, net of extraordinary item	4.24	4.43	4.43	4.44	0.12	0.11	0.12	0.11

Unit: RMB

## 3. Analysis of Provision for Diminution Value as at 30 June 2003

Item	1.1.2003		Additions during the period		Transfer during the period		30.6.2003	
	Group	Company	Group	Company	Group	Company	Group	Company
1. Total provision for bad debts including:	25,727,744.25	19,246,589.52	7,311,848.61	7,107,913.41	(720,600.00)	(720,000.00)	32,318,992.86	25,634,502.93
Accounts receivable	19,622,331.91	14,402,907.82	6,040,293.30	5,836,358.10	(720,600.00)	(720,000.00)	24,942,025.21	19,519,265.92
Other receivables	6,105,412.34	4,843,681.70	1,271,555.31	1,271,555.31	—	—	7,376,967.65	6,115,237.01
2. Total provision for diminution in value of inventories including:	26,836,175.05	25,641,762.51	2,877,735.91	2,877,735.91	(2,008,205.12)	(2,008,205.12)	27,705,705.84	26,511,293.30
Raw materials	3,180,386.46	2,425,515.50	—	—	(1,227,635.63)	(1,227,635.63)	1,952,750.83	1,197,879.87
Finished goods	13,377,050.58	12,937,509.00	2,877,735.91	2,877,735.91	(780,569.49)	(780,569.49)	15,474,217.00	15,034,675.42
Work in progress	10,278,738.01	10,278,738.01	—	—	—	—	10,278,738.01	10,278,738.01
Self-produced work in progress	—	—	—	—	—	—	—	—
3. Total provision for diminution in value of long term investments including:	11,784,212.32	9,404,831.40	5,768,506.36	5,768,506.36	—	—	17,552,718.68	15,173,337.76
Long term equity investment	3,451,012.32	1,071,631.40	1,768,506.36	1,768,506.36	—	—	5,219,518.68	2,840,137.76
Long term investment in debt	8,333,200.00	8,333,200.00	4,000,000.00	4,000,000.00	—	—	12,333,200.00	12,333,200.00
4. Provision for diminution in value of fixed assets including:	27,720,554.99	27,601,252.99	—	—	(119,302.00)	—	27,601,252.99	27,601,252.99
Plant and machinery	27,720,554.99	27,601,252.99	—	—	(119,302.00)	—	27,601,252.99	27,601,252.99
5. Provisin 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	8,126,109.74	6,960,281.92	—	—	(6,248,048.13)	(6,248,048.13)	1,878,061.61	712,233.79

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

**德勤·關黃陳方會計師行**

Certified Public Accountants  
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**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 44 to 51.

**Respective responsibilities of directors and auditors**

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.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Review work performed**

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report 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 2003.

**DELOITTE TOUCHE TOHMATSU**  
**Certified Public Accountants**  
Hong Kong, 21 August 2003

# 2003 Interim Report

## CONDENSED CONSOLIDATED INCOME STATEMENT

(prepared under accounting principles generally accepted in Hong Kong)

FOR THE SIX MONTHS ENDED 30 JUNE 2003

	NOTES	Six months ended	
		30.6.2003 Rmb'000 (unaudited)	30.6.2002 Rmb'000 (unaudited and restated)
Turnover		522,605	442,677
Cost of sales		(368,495)	(300,084)
Gross profit		154,110	142,593
Other operating income		2,536	4,087
Distribution costs		(20,493)	(14,829)
Administrative expenses		(58,885)	(65,540)
Profit from operations	3	77,268	66,311
Finance costs		(6,346)	(8,739)
Share of results of associates		156	(681)
Profit before taxation		71,078	56,891
Taxation	4	(9,747)	(7,584)
Profit after taxation		61,331	49,307
Minority interests		(2,499)	(1,566)
Net profit for the period		58,832	47,741
Earnings per share — Basic	6	Rmb13.97 fen	Rmb11.94 fen

**CONDENSED CONSOLIDATED BALANCE SHEET***(prepared under accounting principles generally accepted in Hong Kong)**AT 30 JUNE 2003*

	NOTES	30.6.2003 Rmb'000 (unaudited)	31.12.2002 Rmb'000 (audited and restated)
Non-current assets			
Property, plant and equipment	7	530,081	595,516
Construction in progress	8	292,974	231,920
Goodwill	9	3,807	4,031
Intangible assets		4,161	4,680
Interests in associates		11,332	15,140
Other assets		32,727	32,727
Deferred tax assets	10	17,400	16,379
		<b>892,482</b>	<b>900,393</b>
Current assets			
Inventories		520,747	521,933
Accounts receivable, prepayments and other receivables	11	302,760	242,098
Amounts due from associates		—	10,580
Bank balances and cash		285,263	190,474
		<b>1,108,770</b>	<b>965,085</b>
Current liabilities			
Accounts payable	12	148,097	146,288
Other payables		173,952	128,649
Sales deposits received		87,796	55,161
Amount due to ultimate holding company		1,022	127,668
Amounts due to minority shareholders of subsidiaries		2,673	2,673
Provision for taxes and levies		19,275	21,200
Option payments received		24,209	24,209
Dividend payable		42,200	—
Borrowings - due within one year		195,000	261,734
		<b>694,224</b>	<b>767,582</b>
Net current assets		<b>414,546</b>	<b>197,503</b>
		<b>1,307,028</b>	<b>1,097,896</b>
Capital and reserves			
Share capital	13	422,000	400,000
Reserves		741,011	567,466
		<b>1,163,011</b>	<b>967,466</b>
Minority interests		<b>50,239</b>	<b>48,992</b>
Non-current liabilities			
Borrowings - due after one year		88,441	75,900
Deferred tax liabilities	10	5,337	5,538
		<b>93,778</b>	<b>81,438</b>
		<b>1,307,028</b>	<b>1,097,896</b>

# 2003 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 2003

	Share capital Rmb'000	Share premium Rmb'000	Capital reserve Rmb'000	Statutory surplus reserve Rmb'000	Statutory public welfare fund Rmb'000	Enterprise development fund Rmb'000	Discretionary surplus reserve Rmb'000	Retained profits Rmb'000	Dividend reserve Rmb'000	Total Rmb'000
(unaudited)										
At 1 January 2003										
— as previously reported	400,000	316,663	13,206	54,805	49,143	—	42,979	32,535	42,200	951,531
— prior period adjustment	—	—	—	—	—	—	—	15,935	—	15,935
— as restated	400,000	316,663	13,206	54,805	49,143	—	42,979	48,470	42,200	967,466
Issue of new shares	22,000	132,000	—	—	—	—	—	—	—	154,000
Expenses incurred in connection with the issue of shares	—	(12,829)	—	—	—	—	—	—	—	(12,829)
Capital contribution from holding company	—	—	37,742	—	—	—	—	—	—	37,742
Net profit for the period	—	—	—	—	—	—	—	58,832	—	58,832
Appropriations	—	—	—	6,146	5,361	2,482	—	(13,989)	—	—
Dividend approved at Annual General Meeting	—	—	—	—	—	—	—	—	(42,200)	(42,200)
At 30 June 2003	<u>422,000</u>	<u>435,834</u>	<u>50,948</u>	<u>60,951</u>	<u>54,504</u>	<u>2,482</u>	<u>42,979</u>	<u>93,313</u>	<u>—</u>	<u>1,163,011</u>
(unaudited)										
At 1 January 2002										
— as previously reported	400,000	316,663	13,206	48,012	42,358	—	42,979	18,977	48,000	930,195
— prior period adjustment	—	—	—	—	—	—	—	12,476	—	12,476
— as restated	400,000	316,663	13,206	48,012	42,358	—	42,979	31,453	48,000	942,671
Net profit for the period	—	—	—	—	—	—	—	47,741	—	47,741
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>—</u>	<u>42,979</u>	<u>70,168</u>	<u>—</u>	<u>942,412</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2003*

	<b>Six months ended</b>	
	<b>30.6.2003</b>	30.6.2002
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash used in from operating activities	<b>119,690</b>	58,855
Net cash used in investing activities	<b>(21,723)</b>	(30,985)
Net cash used in financing activities	<b>(3,178)</b>	(20,865)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>94,789</b>	7,005
Cash and cash equivalents at 1 January	<b>190,474</b>	196,842
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<b><u>285,263</u></b>	<b><u>203,847</u></b>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(prepared under accounting principles generally accepted in Hong Kong)

FOR THE SIX MONTHS ENDED 30 JUNE 2003

## 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 Statement of Standard Accounting Practice No. 12 (Revised) "Accounting for Income Taxes" ("SSAP 12 (Revised)"), issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements which have been adopted in the condensed financial statements. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxes bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for prior period have been restated accordingly.

The financial effect of the adoption of SSAP 12 (Revised) is summarised below:

	Intangible assets Rmb'000	Goodwill Rmb'000	Deferred tax assets Rmb'000	Deferred tax liabilities Rmb'000	Minority interests Rmb'000	Retained profits Rmb'000
Balance at 31 December 2002						
As originally stated	3,888	—	—	—	(49,263)	(32,535)
Recognition of deferred tax assets and liabilities	—	—	16,379	—	(606)	(15,773)
Adjustment of valuation upon acquisition of a subsidiary	792	—	—	—	—	—
Recognition of deferred tax and related goodwill upon acquisition of a subsidiary	—	4,479	—	(5,538)	877	(610)
Amortisation of additional goodwill recognised in respect of deferred tax	—	(448)	—	—	—	448
As restated	4,680	4,031	16,379	(5,538)	(48,992)	(48,470)
Balance at 31 December 2001						
As originally stated	2,812	—	—	—	(30,352)	(18,977)
Recognition of deferred tax asset and liabilities	—	—	12,828	—	(352)	(12,476)
As restated	2,812	—	12,828	—	(30,704)	(31,453)

The effect of these changes in accounting policy on the results for the current and prior periods is as follows:

	Six months ended 30.6.2003 Rmb'000	Twelve months ended 31.12.2002 Rmb'000	Six months ended 30.6.2002 Rmb'000
Recognition of deferred tax assets and liabilities	1,222	4,277	800
Recognition of deferred tax assets and liabilities shared by minority interests	(64)	(370)	(146)
Amortisation of additional goodwill recognised in respect of of deferred tax	(224)	(448)	(224)
Adjustment of fair value of assets and negative goodwill upon acquisition of a subsidiary	—	—	(736)
	934	3,459	(306)

Other than as described above, the accounting policies adopted in the preparation of the condensed financial statements are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2002.

**2. SEGMENT INFORMATION**

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

**3. PROFIT FROM OPERATIONS**

	<b>Six months ended</b>	
	<b>30.6.2003</b>	<b>30.6.2002</b>
	<b>Rmb'000</b>	<b>Rmb'000</b>
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation	22,815	21,364
Interest income	(1,030)	(591)
	<u>21,785</u>	<u>20,773</u>

**4. TAXATION**

	<b>Six months ended</b>	
	<b>30.6.2003</b>	<b>30.6.2002</b>
	<b>Rmb'000</b>	<b>Rmb'000</b>
Provision for PRC income tax	10,969	8,384
Deferred tax credit	(1,222)	(800)
	<u>9,747</u>	<u>7,584</u>

The Company is subject to PRC income tax levied at a rate of 15% (2002: 15%) of the taxable income. All subsidiaries are subject to PRC income tax levied 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.

**5. DIVIDENDS**

No dividends were paid during the period. The directors do not recommend the payment of any interim dividends.

**6. EARNINGS PER SHARE**

The calculation of earnings per share for the period is based on the net profit for the period of Rmb58,832,000 (2002: net profit for the period of Rmb47,741,000) and on the weighted average number of 421,032,967 (2002: 400,000,000) shares in issue during the period.

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

During the period, the Group spent approximately Rmb5.6 million, (2002: Rmb17.1 million) on the acquisition of property, plant and equipment and approximately Rmb12.4 million (2002: Rmb54.8 million) of property, plant and equipment were transferred from construction in progress.

**8. CONSTRUCTION IN PROGRESS**

During the period, the Group spent approximately Rmb82.7 million, (2002: Rmb177.3 million) on construction of its buildings, plant and machinery and others.

**9. GOODWILL**

	<b>Restated Rmb'000</b>
GROSS AMOUNT	
Balance at 31 December 2002 and 30 June 2003	4,479
AMORTISATION	
Balance as 31 December 2002	448
Charge for the period	224
Balance at 30 June 2003	672
CARRYING AMOUNT	
At 30 June 2003	3,807
At 31 December 2002	4,031

The goodwill arising on acquisition is amortised on a straight line basis over 10 years.



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### 10. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon during the current and prior periods:

	Allowance for bad debt provision <i>Rmb'000</i>	Allowance for slow moving inventory <i>Rmb'000</i>	Option payment received <i>Rmb'000</i>	Other temporary difference <i>Rmb'000</i>	Impairment losses in respect of plant and equipment <i>Rmb'000</i>	Fair value adjustment of property, plant and equipment <i>Rmb'000</i>	Total <i>Rmb'000</i>
At 1 January 2002							
— as previously reported	—	—	—	—	—	—	—
— adjustment on adoption of SSAP 12 (Revised)	(1,735)	(2,828)	(3,631)	120	(4,754)	—	(12,828)
— as restated	(1,735)	(2,828)	(3,631)	120	(4,754)	—	(12,828)
Charge (credit) to income for the period	(433)	(317)	—	—	268	(318)	(800)
Acquisition	—	—	—	—	—	6,263	6,263
At 30 June 2002	(2,168)	(3,145)	(3,631)	120	(4,486)	5,945	(7,365)
Charge (credit) to income for the period	(1,261)	(1,095)	—	—	(713)	(407)	(3,476)
At 31 December 2002	(3,429)	(4,240)	(3,631)	120	(5,199)	5,538	(10,841)
Charge (credit) to income for the period	(1,001)	(131)	—	—	111	(201)	(1,222)
At 30 June 2003	<u>(4,430)</u>	<u>(4,371)</u>	<u>(3,631)</u>	<u>120</u>	<u>(5,088)</u>	<u>5,337</u>	<u>(12,063)</u>

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12. The following is the analysis of the deferred tax balances for financial reporting purposes:

	<b>30.6.2003</b> <i>Rmb'000</i>	31.12.2002 <i>Rmb'000</i>
Deferred tax liabilities	5,337	5,538
Deferred tax assets	<u>(17,400)</u>	<u>(16,379)</u>
	<b><u>(12,063)</u></b>	<b><u>(10,841)</u></b>

### 11. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES

At 30 June 2003, the balance of accounts receivable, prepayments and other receivables included accounts receivable of Rmb204,668,000 (31.12.2002: Rmb189,297,000). Customers are normally given a credit period of 90 - 180 days.

	<b>30.6.2003</b> <i>Rmb'000</i>	31.12.2002 <i>Rmb'000</i>
The aged analysis of accounts receivable is as follows:		
Amount not yet due	157,087	170,501
Overdue by less than one year	17,629	6,860
Overdue by more than one year, but not exceeding two years	22,842	7,186
Overdue by more than two years, but not exceeding three years	4,707	2,881
Overdue by more than three years	2,403	1,869
	<b><u>204,668</u></b>	<b><u>189,297</u></b>

### 12. ACCOUNTS PAYABLE

	<b>30.6.2003</b> <i>Rmb'000</i>	31.12.2002 <i>Rmb'000</i>
The aged analysis of accounts payable is as follows:		
Due within one year	131,888	138,505
Due more than one year, but not exceeding two years	10,458	4,271
Due more than two years, but not exceeding three years	2,800	3,512
Due more than three years	2,951	—
	<b><u>148,097</u></b>	<b><u>146,288</u></b>

**13. SHARE CAPITAL**

	<b>Amount Rmb'000</b>
Registered, issued and fully paid:	
At 1 January 2002, 30 June 2002 and 1 January 2003	
300,000,000 ordinary A shares of Rmb1 each	300,000
100,000,000 ordinary H shares of Rmb1 each	100,000
	<u>400,000</u>
Issue of 22,000,000 ordinary A shares of Rmb1 each at 8 January 2003	22,000
At 30 June 2003	<u><u>422,000</u></u>

**14. CAPITAL COMMITMENTS**

As at 30 June 2003, the Group had the following capital commitments:

	<b>30.6.2003 Rmb'000</b>	<b>31.12.2002 Rmb'000</b>
Contracted but not provided for the purchase of property, plant and equipment	28,422	102,911
Authorised but not contracted for the purchase of property, plant and equipment	44,753	—
	<u><u>73,175</u></u>	<u><u>102,911</u></u>

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

	Net profit for the six months ended		Net assets as at	
	30.6.2003 Rmb'000	30.6.2002 Rmb'000 (Restated)	30.6.2003 Rmb'000	31.12.2002 Rmb'000 (Restated)
As reported under PRC accounting standards				
— as originally stated	54,288	47,683	1,174,594	979,111
— prior period adjustment of fair value of assets and negative goodwill upon acquisition of a subsidiary	—	(1,170)	—	—
— as restated	54,288	46,513	1,174,594	979,111
Adjustments made to conform with Hong Kong accounting standards:				
— difference in valuation of net assets contributed to the Company by Beiren Group Corporation ("BGC"), the ultimate holding company	—	—	(60,198)	(60,198)
— consequential adjustment on net assets contributed by BGC	120	—	47,432	9,570
— difference in valuation of net assets upon acquisition of a subsidiary	—	—	—	(792)
— difference in valuation of capital contribution to subsidiaries	16	16	(1,726)	(1,742)
— receipt of option payments recognised as income under PRC accounting standards	—	—	(24,209)	(24,209)
— difference in recognition of liability for final dividends	—	—	—	42,200
— difference in impairment loss in value of other assets	4,000	—	12,333	8,333
— difference in recognition of deferred tax	1,158	—	12,270	—
— recognition of goodwill upon acquisition of a subsidiary	—	—	4,479	—
— amortisation of goodwill upon acquisition of a subsidiary	(224)	—	(672)	—
— others	(526)	348	(1,292)	(742)
As reported under Hong Kong accounting standards	58,832	46,877	1,163,011	951,531
Less: prior period adjustments				
— difference in recognition of deferred tax	—	654	—	11,112
— recognition of deferred tax liability charged to goodwill upon acquisition of a subsidiary	—	—	—	4,479
— amortisation of goodwill upon acquisition of a subsidiary	—	(224)	—	(448)
— adjustment of difference in valuation of net assets upon acquisition of a subsidiary	—	—	—	792
— adjustment of fair value of assets upon acquisition of a subsidiary	—	434	—	—
	<u><u>58,832</u></u>	<u><u>47,741</u></u>	<u><u>1,163,011</u></u>	<u><u>967,466</u></u>