

III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Movements in shareholdings of the Directors, supervisors and senior management in the Company during the reporting period:

Name	Position	Shareholding	
		at the beginning of the reporting period	at the end of the reporting period
Zhu Wuan	Chairman & CEO	5,760	5,760
Lu Changan	Vice-chairman	4,800	4,800
Wang Guohua	Executive Director and General Manager	1,200	1,200
Pang Liandong	Director	4,100	4,100
Yu Baogui	Director	4,200	4,200
Rong Peimin	Executive Director and Company Secretary	0	0
Qi Shenglin	Director	0	0
Wu Wenxiang	Independent Director	0	0
Li Yijing	Independent Director	0	0
Zhou Xiaoming	Independent Director	0	0
Hu Kuangyou	Independent Director	0	0
Xiao Maolin	Chairman of the Supervisory Committee	0	0
Xue Kexin	Supervisor	0	0
Tian Furen	Supervisor	4,100	4,100
Guo Ning	Deputy General Manager	0	0
Wang Wenyuan	Deputy General Manager	0	0
Yang Zhendong	Chief Engineer	0	0

Notes:

- (i) Save as disclosed above, none of the Directors, supervisors and senior management of the Company, as at 30 June 2004, had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register which were required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.
- (ii) None of the Directors, supervisors and senior management of the Company or the respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or had exercised any such right as at 30 June 2004.
- (iii) Save as those set out in the register required to be maintained by directors and supervisors under section 352 of the SFO, during the reporting period, the Company did not engage in any arrangement which would enable the directors or supervisors of the Company of their respective associates to acquire any interest in any shares or debt securities of the Company by the purchase of any other corporation, nor did the directors or supervisors had any interest which was required to be recorded in the register under section 352 of the SFO.

(2) New appointment or dismissal of Director, supervisor and senior management of the Company during the reporting period

The adding of Mr. Wu Wenxiang as an independent director of the Company was considered and approved at the Company's 2003 Annual General Meeting held on 24 May 2004.

(IV) MANAGEMENT DISCUSSIONS AND ANALYSIS

(1) Discussion and analysis of operations during the reporting period

1. During the reporting period, the Company's revenue from principal operation amounted to Rmb524,784,900 in accordance with PRC accounting standard, representing an increase of 13.79% over the corresponding period last year. Its net profit amounted to Rmb58,999,700, representing an increase of 8.68% as compared with the corresponding period last year. Turnover amounted to Rmb549,682,000 in accordance with Hong Kong accounting standard, representing an increase of 5.18% as compared with the corresponding period last year. The net profit amounted to Rmb61,496,000, representing an increase of 4.53% over the same period last year.
2. The Company participated the International Printing Machines 德魯巴 Exhibition held every four years in Germany in May this year. Beiren 300 two ply high end multi-color presses (對開高檔多色機) has passed the German certification "CE". Beiren 300 two ply high end multi-color presses (對開高檔多色機) and Beiren 200 four ply multi high end presses (四開高檔多色機) has reached the European "CE" standard. During the exhibition, products of "Beiren" has aroused the extensive interest and praise among overseas' counterparts and customers, demonstrating the Company's capability in design and manufacture. It laid a necessary foundation for the Company to build international joint venture and co-operative relationship, and establish international sales network, which realise the Company's "export strategy".
3. By making use of market demand and technological improvement as direction to speed up the product development process. In the first half of the year, the Company developed the 578 high end rolling printers (捲筒高檔印報機) and N394 rolling paper commercial printer (捲筒紙商業印刷機) that are internationally demanded. The Company finished the testing and passed certification of the new product N404 flat sheet. These new products will bring about enormous revenue for the company.

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- During the reporting period, the Company carried out clearing for various systems which govern the calculation of expenditure in accordance with the Company's budget approval system, by which the standard is unified in order to make the budget as its basis, the basis has its system and the system has its standard. This system will enhance the planning and monitoring of production and operation in respect of internal management, and will realise the overall budget and regularized statements for the purpose of business procedures, and provide objective data support for decision making, which will enable the Company to continuously deepen and systemize its management as well as further enhance quality of operation.

(2) Principal operation during the reporting period

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

- Principal operations (prepared under PRC accounting standards):

- Principal operations by sectors or products

Unit: Rmb

Sector	Principal operating income	Principal operating costs	Gross profit margin (%)	Increase (+) / decrease (-) in principal operating income as compared with the same period last year (%)	Increase (+) / decrease (-) in principal operating costs as compared with the same period last year (%)	Increase (+) / decrease (-) in gross profit margin (%)
Sale of flat paper printers	263,384,219.51	165,926,599.42	37.00	-6.03	-1.85	-6.75
Sale of rolling paper printers	112,288,875.24	74,008,342.96	34.09	97.58	69.82	46.18
Sale of intrusion printers	82,348,731.79	63,733,123.57	22.61	39.25	44.66	-11.33
Sale of pressing machines	136,752.14	291,024.36	-112.81	-86.03	-81.36	-89.47
Sale of form-printing machines	39,454,212.99	33,288,873.76	15.63	15.71	24.73	-28.07
Spare parts	7,216,304.22	4,970,630.85	31.12	-36.62	-37.75	4.18
Printing business	13,950,699.92	9,283,975.24	33.45	5.49	1.31	8.92
Others	6,005,077.22	3,717,568.03	38.09	14.52	-6.36	56.88
Of which:						
Related party transactions						
Sale of flat paper machines	63,120,341.89	39,765,815.39	37.00	1.73	6.25	-6.75
Sale of rolling paper printers	15,735,316.24	10,371,146.93	34.09	85.56	59.50	46.18

Pricing principle for related party transactions

The pricing policy for the products sold by the Company to the related companies mentioned above is based on the market prices for the those similar products.

Of which: The total related party transactions in respect of the sale of products by the Company to the controlling shareholders and its subsidiaries during the reporting period amounted to Rmb4,158,119.66.

- Principal operations by geographical segments

Unit: Rmb

Region	Principal operating income	Increase(+)/decrease (-) in principal operating income (%)
Domestic	493,001,600.03	9.60
Overseas	31,783,273.00	180.14

- Operational difficulties and resolutions

With increasingly intensified competition coming from products of counterparts and overseas, the Company is facing greater pressure than ever. The Company adopted the following resolutions to combat challenges: (1) Company continuously dedicated efforts to develop and improve new products and products with great market demand; (2) enhanced sales strength on one hand, and on the other hand, introduced banking facilities and finance leases to enhance the Company's sales ability; (3) further implemented assessment for the profitability of subsidiaries; and (4) integrated the internal resources of the Company, and resolved imminent problems of the inadequacy in the capability of the processing and packaging of the manufacture of rolling printers, and strived to speed up the processing procedure, shorten the cycle of finished products and serve the needs of customers.

(3) Investment during the reporting period

- Use of proceeds

The funds of the initial fund raising of the Company has been used up in 31 December 1998. The funds of the second fund raising has also been used up in 31 March 2003. No funds has been used in this reporting period.

- During the reporting period, the Company has no changes in fund raising programme.

3. Non-fund raising investment of the Company during the reporting period.

To ensure the momentum of the speedy development of subsidiaries, the Company increased capital in Haimen Beiren Fuji Printing Machinery Company Limited, Beijing Beiren Jing Yan Printing Machinery Plant and Shaanxi Beiren Printing Machinery Company Limited for amounts of Rmb9,000,000, Rmb17,000,000 and Rmb15,000,000 respectively.

(4) Business and geographical segments

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

(5) Profit from operations (Prepared in accordance with accounting principles generally accepted in Hong Kong)

Profit from operations in this period has been arrived at after charging (crediting) the following:

	Six months ended 30 June	
	2004	2003
	Rmb'000	Rmb'000
Depreciation and amortization	23,022	22,815
Provision for impairment in value of buildings machinery and equipment	942	613
Interest income	(875)	(1,030)

(6) Taxation (Prepared in accordance with accounting principles generally accepted in Hong Kong)

	Six months ended 30 June	
	2004	2003
	Rmb'000	Rmb'000
Provision of the PRC enterprise income tax		
The Group	11,371	10,938
Associates	161	31
Deferred tax credit	(1,029)	(1,222)
	10,503	9,747

The Company is subject to the PRC enterprise income tax levied at a rate of 15% (2003: 15%) of the taxable income. All the Group's domestic subsidiaries and associates are subject to the 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.

(7) Dividends

The directors do not recommend the payment of any interim dividends.

(8) Earnings per share (Prepared in accordance with accounting principles generally accepted in Hong Kong)

The calculation of basic earnings per share for the period is based on the net profit for the period of Rmb61,496,000 (2003: Rmb58,832,000) and the number of 422,000,000 shares in issue for the period (2003: the weighted average number of 421,032,967 shares).

(9) Liquidity and sources of capital (Prepared in accordance with accounting principles generally accepted in Hong Kong)

The Group's net cash inflow from operating business for six months ended 30 June 2004 amounted to Rmb36,404,000.

As at 30 June 2004, the Group's total loans amounted to Rmb244,350,000, of which Rmb216,025,000 will fall due within one year, Rmb14,150,000 will fall due before 30 June 2006 and the remaining will fall due between 1 July 2006 and 2008. The aforesaid loans were all nominated in Renminbi, including interest-free loans of Rmb20,000,000 and fixed interest rate loans of Rmb224,350,000.

The gearing ratio of the Group as at 30 June 2004 was 38.56% calculated on the basis of its total liabilities and total assets.

(10) Staff employment

As at 30 June 2004, the Company had approximately 3,119 employees, of which 2,264 were production staff, representing 73% of the total number of employees. Remuneration packages are structured with reference to the industry practice and individual's performance. Apart from the basic remuneration, bonus may be granted to the eligible with reference to the Group's results as well as individual performance.

(11) The Group's asset pledged

As at 30 June 2004, the Group's properties, plant and equipment with a total value of approximately Rmb20,662,377 30 December 2003: Rmb19,317,810) were pledged for bank loans.

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

Transactions of the Company are mainly dominated in Renminbi, Hong Kong dollars or USA dollars. The risk of exposure to fluctuations in exchange rates is comparatively low. Therefore, no financial instruments are used by the Group for hedging the exchange rate risk.

(13) Contingent liabilities

As at 30 June 2004, the Group had no significant contingent liabilities.

(14) Business outlook of the Company in the second half of 2004

1. To accelerate the development of new products is an important task in maintaining the steady development and enhancing core competitiveness of the Company. The Company dedicated its efforts in the preparation work of the participation of various models of printing machines for the 2005 Beijing International Printing Machines Exhibition. In the meantime, the Company will further enhance the management work of its technological system, absorb multifarious talents in need, and enhance research and development and technological management level and progress.
2. Reform of printing enterprises deepens endlessly, and various economic mode of printing enterprises developed ceaselessly. The Company has to implement customer relation management system in the year, and will realize a significant leverage in business operation level by using the system to achieve operational foundation work of customer management, sales management and market information.
3. To establish a sound standardized cost management system, analyse the increase and decrease in the cost of products in order to achieve the target of cost control. To implement all round up budget management and be innovative in breaking traditional and conventional practices and models in order to establish a solid foundation for the capability of cost management and resources integration.
4. In the meantime as the MRPII system in rolling paper sub branch successfully came into operation, the Company is prepared to implement the system in the whole company. This will facilitate unification of the logistics, information flow and capital flow in the production operation of the Company. To establish a relatively complete and real fixed cost and to guarantee outsourcing work quality and lower cost, the Company will implement relevant measures in order to let the outsourcing partners and the Company have motivation and confidence to achieve win-win situation and realize the commercialization of outsourcing products step by step.
5. To continue the thorough implementation of the commitment of "regulation, credibility, development", enhance the Company's credibility in the society and upgrade the monitoring of subsidiaries and sub-branches as well as forbidding irregularities from happening.

V. MATERIAL EVENTS

(1) Corporate governance:

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

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

As approved by shareholders at the Company's 2003 Annual General Meeting held on 24 May 2004, the profit distribution plan of the Company is as follows: Based on 422,000,000 shares (of par value Rmb1.00 each) in issue, the Company carried out distribution of a cash dividend of Rmb0.8 (inclusive of tax), totalling Rmb33,760,000, to all shareholders for every 10 shares held. The announcement in relation to such distribution of dividends was published in Shanghai Securities Daily, Hong Kong Economic Times and The Standard on 25 May 2004. The announcement in relation to the distribution of dividends of A shares was published in Shanghai Securities Daily on 13 July 2004. The registration date for A share certificates, the ex-dividend date and the distribution of dividends for A shares and H shares were 16 July 2004, 19 July 2004 and 23 July 2004 respectively.

(3) There will be no profit distribution or any transfer of the surplus reserve to increase share capital for the interim period.

(4) During the reporting period (or in the previous period, but remained unsettled in this period), the Company was not engaged in any material litigation or arbitration which occurred during or before the reporting period but remained unsettled in the reporting period.

(5) There was no material acquisition, sale or disposal of assets during the reporting period.