

2004 Interim Report

(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.

(6) Connected debts and liabilities

Related party	Connected relationship	Amount advanced to related party		Amount advanced to the Company	
		Amount incurred	Closing Balance	Amount incurred	Closing Balance
Hubei Beiren Printing Machinery Sales Company Limited	Note 1	1,236,800.00	4,879,680.00	—	—
Xian Beiren Beifu Printing Machinery Sales Company Limited	Note 1	-2,106,030.00	4,102,000.00	—	—
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	Note 2	-1,022,900.00	2,996,800.00	143,000.00	143,000.00
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	Note 2	7,452,000.00	7,694,030.00	—	—
Beiren Group Corporation	Controlling shareholder	582,557.53	31,235,075.11	700,857.42	59,949,359.98
Ningxia Beiren Xinhua Printing Limited	Note 2	-1,077,000.00	—	—	—
Beijing Yan Long Import and Export Company	Note 3	-3,700,000.00	—	—	881,651.38
Guangzhou Beiren Hengtong Printing Machinery Operation and Sale Company Limited	Note 2	-2,556,909.14	—	—	—
Beijing Beiren Taihe Printing and Casting Factory	Note 1	—	2,864,115.74	—	—
Beijing Beiren Printing Machinery Accessories Printing Factory	Note 1	98,927.80	6,229,521.83	—	—
Beijing Beiren Printing and Casting Company Limited	Note 2	—	—	35,223,984.86	55,400,473.04
Beijing Monigraf Automatic Systems Company Limited	Note 2	—	—	167,856.53	167,856.53
Total		-1,092,553.81	60,001,222.68	36,235,698.81	116,542,340.93

Note 1: Subsidiaries with controlling relationship

Note 2: Related companies without controlling relationship

Note 3: Subsidiaries of controlling shareholders

Note 4: The amount advanced to related parties of Hubei Beiren Printing Machinery Sales Company Limited, Xian Beiren Beifu Printing Machinery Sales Company Limited, Liaoning Beiren Printing Machinery Operation and Sale Company Limited, Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited, Beiren Group Corporation, Beijing Yan Long Import and Export Company and Guangzhou Beiren Hengtong Printing Machinery Operation and Sale Company Limited are incurred in the sales of the Company's products. The amount advanced to related parties of Beijing Beiren Taihe Printing and Casting Factory and Beijing Beiren Printing Machinery Accessories Printing Factory are incurred in the provision of service or package services to the products of the Company. The amount of Rmb29,980,300 in relation to Beiren Group Corporation is the receivable of removal compensation. The amount of Rmb57,266,700 in relation to Beiren Group Corporation advanced to the Company from related parties is the payables for the acquisition of Factory No. 4. The amount of Rmb54,249,800 in relation to Beijing Beiren Printing and Casting Company Limited is the advanced receipt of the removal compensation from the original Beijing Beiren Taihe Printing and Casting Factory. There are no material related party transactions during the reporting period.

During the reporting period, the amount advanced to the controlling shareholders and subsidiaries from the Company is Rmb0, and the balance is Rmb0.

(7) Material contracts

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

(8) Commitments

At the request of the People's Municipal Government of Beijing and according to city planning of Beijing, the Company moved out of the previous address, No. 44 Guangqu Road South, Chaoyang District, Beijing, the PRC. Beiren Group Corporation injected a consideration for a valuation of real estate and land developing fees totalling Rmb142,520,000 (including Rmb37,949,000 of land developing fees). Together with the removal expense of Rmb76,298,900, the Company has received a total of Rmb218,818,900. As at 30 June 2004, the outstanding removal compensation payable by Beiren Group amounted to Rmb29,980,000.

As the removal is still in progress and certain ancillary production facilities are yet to reach their working condition, Beiren Group has undertaken to compensate the Company with respect to any potential removal expense on an incurred basis.

(9) The financial statements of the Company for this period have not been audited.**(10) During the reporting period, the Company's Board of Directors, the Directors and senior management were not under investigation by the China Securities Regulatory Commission, subject to administrative punishment, be criticized nor subject to punishment by other administrative department and be condemned publicly by any securities exchanges.****(11) There was no purchase, disposal, redemption or cancellation by the Company or any of its subsidiaries of its shares in the reporting period.****(12) Deposits**

The first deposit of Rmb5 million was placed with China Venturetech Investment Company. The second deposit of Rmb5 million was placed with Yin Peng Cooperative Credit Union, Bai Yin, Gansu Province. A total of Rmb10 million of deposits have not been recovered yet as it is still in the process of liquidation by the relevant authority. These two deposits represent approximately 0.81% of the Company's net assets and will cause no material effect to operations of the Company. The Company has made a provision of Rmb8 million for loss.

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(13) Audit Committee

The Audit Committee under the Board of the Company has reviewed the Company's unaudited interim report for the first six months of 2004.

(14) The Code of Best Practice

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

(15) Specific statement and independent opinion of the Independent directors on the Company's cumulative and current external guarantee, guarantee in default and the implementation of the requirement of Zheng Jian Fa [2003] no. 56.

As independent directors of Beiren Printing Machinery Holdings Limited (the "Company"), we express the following opinion in respect of the use of capital of the connected parties of the company, external guarantee and implementation of the requirement of the abovementioned documents in accordance with the spirit of "the notice in relation to the regulation of certain issues concerning the capital flow of listed companies and external guarantee of listed companies" and "the notice in relation to the half year reporting work for 2004", and carried out investigation to understand certain situation as well as seriously hearing about the relevant opinions of directors, supervisors and the management.

1. Specific statement
 - (1) The capital flow between the Company and controlling shareholders, and other connected parties is able to strictly comply with the requirement of ZhengJianFa [2003] no. 56.
 - (2) The Company is able to strictly comply with requirements of law and regulations, and does not provide guarantee to controlling shareholders and other related parties, any non-legal entities and individuals that was held in shares below 50% by the Company.
 - (3) The articles of association has been amended in accordance with the requirement of the [2003] no. 56 wen issued by ZhengJianFa, which stipulated the approval procedure of external guarantee and the information standard of the guaranteed. This has already been approved at the 2003 general meeting of the Company.
2. Independent opinion
 - (1) The capital flow between the Company and connected parties are about the normal operational capital flow in the ordinary sales and purchase of commodities and acceptance of service activities, which does not have any advance in wages, welfare, advertisements to the connected parties by the Company, nor the Company bears any cost and other expenditure for connected parties.
 - (2) The Company does not directly or indirectly provide capital to connected parties in the following ways:
 1. Borrow capital to connected parties with repayment or without repayment;
 2. Provide designated loans to connected parties through banks or non-banking financial institutions;
 3. Entrust connected parties to carry out investment activities;
 4. Give connected parties commercial acceptance bills that are without real transaction background;
 5. Repay debt for connected parties.
 - (3) The Company's capital has not been occupied by connected parties by way of surpassing normal settlement periods.

(16) Other important events

1. "Announcement of the changes in the registered address of the Company" has been published in the Shanghai Securities Journal, Hong Kong Economic Times and The Standard on 1 July 2004.
2. "Announcement of the resolutions passed at the 15th meeting of the fourth board", "Announcement of the resolutions passed at the 8th meeting of the fourth supervisory committee meeting", notice of convening of the 2003 general meeting and the summary of the 2003 annual results has been published on Shanghai Securities Journal, Hong Kong Economic Times and The Standard on 31 March 2004.
3. "Announcement of the resolutions passed at the 16th meeting of the fourth board" and the first quarterly report of the Company in 2004 has been published on Shanghai Securities Journal, Hong Kong Economic Times and The Standard on 30 April 2004.
4. Announcement of "招商證券股份有限公司 in relation to the report of additional issue of shares of Beiren Printing Machinery Holdings Limited in 2002" has been published on the Securities Journal on 19 May 2004.
5. "Announcement of the resolutions passed at the 2003 general meeting" has been published on Shanghai Securities Journal, Hong Kong Economic Times and The Standard on 25 May 2004.
6. "Announcement of the implementation of the distribution of bonus and dividend of A shares of the Company in 2003" has been published on Shanghai Securities Journal on 13 July 2004.