

## VI. FINANCIAL STATEMENTS (UNAUDITED)

**BALANCE SHEET (PREPARED UNDER PRC ACCOUNTING STANDARDS)**

As at 30 June 2004

Assets	Notes	Group		Company	
		30.6.2004 (unaudited) Rmb	31.12.2003 Rmb	30.6.2004 (unaudited) Rmb	31.12.2004 Rmb
Current assets					
Cash and bank balances	6	163,499,114.45	142,682,520.26	107,653,911.70	106,588,519.92
Bills receivables	7	22,042,798.61	5,564,262.00	18,398,000.00	1,735,000.00
Accounts receivables	8	296,938,202.33	246,287,027.11	224,374,318.31	183,708,194.36
Other receivables	9	68,568,919.11	62,922,629.08	61,858,336.76	87,156,609.92
Prepayment	11	28,285,004.39	17,853,335.98	12,773,779.98	6,315,022.59
Inventories	12	573,706,125.47	520,405,703.85	396,356,208.71	353,740,373.12
Deferred expenses		902,680.54	638,873.64	80,620.00	—
Total current assets		1,153,942,844.90	996,354,351.92	821,495,175.46	739,243,719.91
Long term investment					
Long term equity investment	13	9,643,371.75	14,224,001.58	195,569,568.68	156,338,631.07
Long term investment in debts	14	19,393,800.00	19,393,800.00	19,393,800.00	19,393,800.00
Total long term investment		29,037,171.75	33,617,801.58	214,963,368.68	175,732,431.07
Fixed assets					
Fixed assets, at cost	15	1,181,638,350.15	1,172,122,735.06	894,859,970.83	878,859,819.24
Less: accumulated depreciation	15	450,510,433.13	437,983,092.04	293,110,694.18	283,478,846.73
Fixed assets, net book value		731,127,907.02	734,139,643.02	601,749,276.65	595,380,972.51
Less: Provision for diminution in value of fixed assets	15	32,433,806.86	31,491,953.58	25,933,806.86	24,991,953.58
Fixed assets, net		698,694,110.16	702,647,689.44	575,815,469.79	570,389,018.93
Construction in progress	16	115,724,667.03	72,857,042.49	95,389,815.42	68,921,964.30
Disposal of fixed assets		5,286,541.15	—	—	—
Total fixed assets		819,705,318.34	775,504,731.93	671,205,285.21	639,310,983.23
Intangible assets and other assets:					
Intangible assets	17	73,165,160.71	75,184,232.25	21,196,643.93	21,424,245.11
Long term deferred expenses	18	12,363,062.40	12,487,482.00	12,293,291.10	12,366,291.10
Total intangible assets and other assets		85,528,223.11	87,671,714.25	33,489,935.03	33,790,536.21
Total assets		2,088,213,558.10	1,893,148,599.68	1,741,153,764.38	1,588,077,670.42

**BALANCE SHEET (CONTINUED)**

As at 30 June 2004

Liabilities and shareholders' equity	Notes	Group		Company	
		30.6.2004 (unaudited) Rmb	31.12.2003 Rmb	30.6.2004 (unaudited) Rmb	31.12.2004 Rmb
Current liabilities					
Short term loans	19	179,800,000.00	124,000,000.00	100,000,000.00	60,000,000.00
Bills payable	20	21,627,165.04	7,000,000.00	3,127,165.04	—
Accounts payable	21	195,203,547.30	178,407,027.36	126,242,530.88	107,067,649.41
Receipts in advance	22	80,952,316.37	43,717,756.71	40,073,245.41	15,380,207.00
Wages payable		7,503,976.84	7,560,415.93	3,719,081.41	3,692,281.41
Staff welfare		22,936,148.95	22,296,472.33	15,481,773.46	14,821,120.33
Taxes payable	23	17,497,014.34	27,364,349.95	10,302,177.52	16,886,057.69
Sundry payable	24	392,929.90	660,047.56	125,205.88	278,166.31
Other payable	25	165,549,861.37	142,302,819.56	136,987,408.40	119,663,393.98
Expected liabilities	26	22,183,713.00	22,183,713.00	22,183,713.00	22,183,713.00
Accruals		1,027,738.98	949,837.93	—	—
Dividend payable	27	33,760,000.00	—	33,760,000.00	—
Long term liabilities payable within one year	28, 29	36,225,000.00	37,550,000.00	20,000,000.00	24,000,000.00
Total current liabilities		784,659,412.09	613,992,440.33	512,002,301.00	383,972,589.13
Long term liabilities					
long term loans	28	8,000,000.00	8,000,000.00	—	—
Long term payables	29	20,325,000.00	23,400,000.00	—	—
Total long term liabilities		28,325,000.00	31,400,000.00	—	—
Deferred tax					
Deferred tax credit	30	242,941.38	242,941.38	242,941.38	242,941.38
Total liabilities		813,227,353.47	645,635,381.71	512,245,242.38	384,215,530.51
Minority interests		46,560,370.26	44,896,573.51	—	—
Shareholders' fund					
Share capital	31	422,000,000.00	422,000,000.00	422,000,000.00	422,000,000.00
Capital reserve	32	520,780,553.44	520,217,619.27	520,780,553.44	520,217,619.27
Surplus reserve	33	177,590,175.49	165,941,485.91	175,154,995.29	163,506,265.71
Including: statutory public welfare fund	33	63,400,883.37	57,576,538.58	63,261,448.27	57,437,103.48
Retained profit	35	108,050,818.22	60,699,762.90	110,973,013.27	64,378,254.93
Cash dividend approved after the balance sheet date	34	—	33,760,000.00	—	33,760,000.00
Exchange reserve		4,287.22	(2,223.62)	—	—
Total shareholders' equity		1,228,425,834.37	1,202,616,644.46	1,228,908,522.00	1,203,862,139.91
Total liabilities and shareholders' equity		2,088,213,558.10	1,893,148,599.68	1,741,153,764.38	1,588,077,670.42

The notes form an integral part of the financial statements.

**PROFIT AND LOSS ACCOUNT AND PROFITS DISTRIBUTION**

For the period from 1 January 2004 to 30 June 2004

	<i>Notes</i>	<b>Group</b>		<b>Company</b>	
		Six months	Six months	Six months	Six months
		ended 30.6.2004	ended 30.6.2003	ended 30.6.2004	ended 30.6.2003
		(Accumulated)	(Accumulated)	(Accumulated)	(Accumulated)
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		<i>Rmb</i>	<i>Rmb</i>	<i>Rmb</i>	<i>Rmb</i>
Income from major operations	36	524,784,873.03	461,183,901.58	363,253,938.17	335,081,032.20
Less: main operating cost	36	355,220,138.19	306,067,583.20	236,525,658.50	216,398,578.03
main operation tax and surcharge	37	3,277,664.82	3,323,298.94	2,711,579.41	2,625,715.07
Profit from major operations		166,287,070.02	151,793,019.44	124,016,700.26	116,056,739.10
Add: profit from other operations		(147,389.17)	538,574.45	2,183,347.61	408,146.42
Less: operation expenses		25,036,058.46	19,661,982.84	14,748,825.94	12,504,698.25
administrative expenses		62,417,416.22	61,643,750.52	41,109,677.01	42,165,810.42
financial expenses	38	4,706,970.54	5,422,788.03	2,041,415.48	2,903,596.76
Operating profit		73,979,235.63	65,603,072.50	68,300,129.44	58,890,780.09
Add: investment income					
(less: loss)	39	(1,117,818.42)	(5,995,769.60)	2,021,552.91	(1,243,377.82)
non-operating income	40	2,272,690.70	1,372,495.09	1,920,528.28	1,186,310.34
Less: non-operating expenses	41	3,428,252.63	(5,625,414.78)	3,375,517.71	(5,679,299.51)
Total profits		71,705,855.28	66,605,212.77	68,866,692.92	64,513,012.12
Less: income tax	42	11,384,197.79	10,968,555.03	10,623,245.00	9,979,317.24
minority interests		1,321,912.59	1,348,834.60	—	—
Net profit for the period		58,999,744.90	54,287,823.14	58,243,447.92	54,533,694.88
Add: retained profits at the beginning of the period	35	60,699,762.90	31,702,840.27	64,378,254.93	30,313,982.03
Distributable profits		119,699,507.80	85,990,663.41	122,621,702.85	84,847,676.91
Less: transfer to statutory surplus reserve	35	5,824,344.79	5,453,369.49	5,824,344.79	5,453,369.49
transfer to statutory public welfare fund	35	5,824,344.79	5,453,369.49	5,824,344.79	5,453,369.49
Profits distributable to shareholders		108,050,818.22	75,083,924.43	110,973,013.27	73,940,937.93
Less: cash dividend approved after the balance sheet date		—	—	—	—
Retained profits carried forward		108,050,818.22	75,083,924.43	110,973,013.27	73,940,937.93

**SUPPLEMENTARY INFORMATION**

	<b>Group</b>		<b>Company</b>	
	Six months	Six months	Six months	Six months
	ended 30.6.2004	ended 30.6.2003	ended 30.6.2004	ended 30.6.2003
	(Accumulated)	(Accumulated)	(Accumulated)	(Accumulated)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>Rmb</i>	<i>Rmb</i>	<i>Rmb</i>	<i>Rmb</i>
Profit from sale and disposal of invested companies	—	—	—	—
Loss arising from natural disaster	—	—	—	—
Increase / (decrease) in profit due to change in accounting policies	—	—	—	—
Increase / (decrease) in profit due to change in accounting estimate	—	—	—	—
Loss arising from debt restructuring	—	—	—	—

The notes form an integral part of the financial statements.

**CASH FLOW STATEMENT**

For the period from 1 January 2004 to 30 June 2004

	<i>Notes</i>	<b>Group</b>		<b>Company</b>	
		Six months ended 30.6.2004 (Accumulated) (Unaudited) <i>Rmb</i>	Six months ended 30.6.2003 (Accumulated) (Unaudited) <i>Rmb</i>	Six months ended 30.6.2004 (Accumulated) (Unaudited) <i>Rmb</i>	Six months ended 30.6.2003 (Accumulated) (Unaudited) <i>Rmb</i>
Cash flow from operating activities					
Cash received from sales of goods or rendering of services		589,457,013.49	513,518,113.36	393,396,349.27	376,775,869.97
Tax refund received		—	—	—	428,918.20
Other cash received relating to operating activities		40,439,876.11	108,350,846.88	65,342,888.34	110,236,415.97
Sub-total of cash inflows		629,896,889.60	621,868,960.24	458,739,237.61	487,441,204.14
Cash paid for goods and services		381,152,379.52	314,978,222.96	236,942,940.09	217,785,959.91
Cash paid to and on behalf of employees		65,908,901.56	71,628,429.64	43,762,543.95	47,220,965.64
Taxes and surcharges paid		58,535,033.46	47,494,937.03	45,297,026.08	36,791,144.34
Other cash paid relating to operating activities	43	85,008,268.18	50,181,145.43	77,906,208.35	41,923,854.71
Sub-total of cash outflows		590,604,582.72	484,282,735.06	403,908,718.47	343,721,924.6
Net cash flows from operating activities		39,292,306.88	137,586,225.18	54,830,519.14	143,719,279.54
Cash flow from investing activities					
Cash increased from subsidiaries		—	2,120,620.55	—	4,248,783.67
Net cash received from disposal of fixed assets, intangible assets and other long term assets		1,326,855.42	—	801,497.81	—
Sub-total of cash inflows		1,326,855.42	2,120,620.55	801,497.81	4,248,783.67
Cash paid to acquire fixed assets, intangible assets and other long term assets		65,947,455.61	113,632,926.96	46,993,356.95	108,304,713.61
Decrease due to changes in scope of consolidation		—	1,136,000.00	—	1,136,000.00
Cash paid for equity investment		—	813,542.07	41,000,000.00	—
Sub-total of cash outflows		65,947,455.61	115,582,469.03	87,993,356.95	109,440,713.61
Net cash flows from investing activities		(64,620,600.19)	(113,461,848.48)	(87,191,859.14)	(105,191,929.94)
Cash flows from financing activities					
Cash received from investment by others		—	154,000,000.00	—	154,000,000.00
Cash received from loans		244,500,000.00	106,000,000.00	179,000,000.00	90,000,000.00
Sub-total of cash inflows		244,500,000.00	260,000,000.00	179,000,000.00	244,000,000.00
Cash repayments of debentures		193,100,000.00	172,442,800.00	143,000,000.00	159,000,000.00
Cash payments for distribution of dividends of profits and payment of interest expenses		5,184,488.36	6,460,243.92	2,537,835.03	3,989,834.69
Other cash paid relating to financing activities		—	11,187,714.71	—	11,187,714.71
Sub-total of cash outflows		198,284,488.36	190,090,758.63	145,537,835.03	174,177,549.40
Net cash flows from financing activities		46,215,511.64	69,909,241.37	33,462,164.97	69,822,450.60
Effect of changes in foreign exchange rate on cash		(70,624.14)	152,779.97	(35,433.19)	(3,392.84)
Net increase in cash and cash equivalents		20,816,594.19	94,186,398.04	1,065,391.78	108,346,407.36

**CASH FLOW STATEMENT (CONTINUED)**

For the period from 1 January 2004 to 30 June 2004

**SUPPLEMENTARY INFORMATION**

	Group		Company	
	Six months ended 30.6.2004 (Accumulated) (Unaudited) Rmb	Six months ended 30.6.2003 (Accumulated) (Unaudited) Rmb	Six months ended 30.6.2004 (Accumulated) (Unaudited) Rmb	Six months ended 30.6.2003 (Accumulated) (Unaudited) Rmb
Reconciliation of profit after taxation to cash flow from operating activities				
Net profit	58,999,744.90	54,287,823.14	58,243,447.92	54,533,694.88
Add: Provision for diminution in assets value	4,727,952.64	6,981,237.63	3,594,081.02	6,777,902.43
Depreciation of fixed assets	22,279,196.31	23,661,434.09	16,201,039.53	13,096,561.14
Amortisation of intangible assets	2,249,071.54	816,436.16	227,601.18	235,385.18
Amortisation of deferred expenses	124,419.60	169,879.47	73,000.00	120,000.00
Decrease in deferred expenses (less: increase)	(263,806.90)	(29,979.15)	(80,620.00)	—
Amortisation of goodwill of equity investment	907,790.89	12,908.07	907,790.89	12,908.07
Increase in accruals (less: decrease)	77,901.05	3,090,800.94	—	2,398,544.14
Loss on disposal of fixed assets, intangible assets and other long term assets (less: gains)	364,813.18	(808,190.47)	550,513.35	(657,770.72)
Financial expenses	5,184,488.36	6,307,463.95	2,537,835.03	3,993,227.53
Investment loss (less: gains)	210,027.53	214,355.17	(2,929,343.80)	(4,538,036.61)
Loss on minority interests (less: gains)	1,321,912.59	1,348,834.60	—	—
Decrease in inventories (less: increase)	(56,395,338.95)	675,423.54	(45,297,167.91)	10,310,238.72
Decrease in operating receivables (less: increase)	(83,898,852.30)	(61,533,423.81)	(38,460,503.60)	(39,532,485.04)
Increase in operating payables (less: decrease)	83,402,986.44	102,391,221.85	59,262,845.53	96,969,109.82
Net cash flows from operating activities	39,292,306.88	137,586,225.18	54,830,519.14	143,719,279.54
Net increase in cash and cash equivalents				
Cash and bank balance at the end of the period	163,499,114.45	281,072,680.15	107,653,911.70	248,108,712.77
Less: Cash and bank balance at the beginning of the period	142,682,520.26	186,886,282.11	106,588,519.92	139,762,305.41
Net increase in cash and cash equivalents	20,816,594.19	94,186,398.04	1,065,391.78	108,346,407.36

The notes form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 January 2004 to 30 June 2004

### 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.

Based on the resolutions passed at the shareholders’ general meetings held on 16 May 2001 and 11 June 2002 and approved by the document Zheng Jian Fa Xing Zi [2002] No. 133 of China Securities Regulatory and Supervisory Commission, the Company can issue not more than 22,000,000 new shares of renminbi ordinary shares (A Shares) to the social public shareholders with par value of Rmb 1 for each share. The issue price will be Rmb 7 for each share.

On 7 January 2003, in accordance with the above resolutions and approval document, the Company issued 22,000,000 new shares of renminbi ordinary shares (A Shares). The issue price was Rmb 7 for each share. Details of the Company’s share capital are set out in note 31.

### 2. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE

#### Accounting systems 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. The 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 or 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 genuine evidence that the related account receivable is unrecoverable or the possibility of recovering the account receivable is minimal.

##### (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 at 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 year, 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.

### Long term investments

#### (1) Long term 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 reduced 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. In the event initial investment cost is greater than percentage of equity interest in the investee, the difference is recorded as a debit balance in the account of long term equity investment - difference in long term equity investment and 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, prior to the issue of the document Cai Kuai [2003] No. 10, the difference is recorded as a credit balance in the account of long term equity investment - difference in long term equity investment and 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. After the issue of the document Cai Kuai [2003] No. 10, the difference is recorded as a credit balance in the account of capital reserve - provision for equity investment.

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

The initial investment cost of long-term debt investment is stated at actual cost paid in full.

#### (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 diminution in value based on the indication of diminution in value 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 tangible assets held for production of goods, 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 depreciated based on a straight-line method. Estimated residual ratio, depreciation period and annual depreciation rate of various fixed assets are as follows:

Item	Estimated residual ratio	Depreciation period	Annual depreciation rate
Buildings	3%	40	2.425%
Plant and machinery	3%	8-14	12.125%-6.929%
Electronic equipment, furniture & fixture	3%	8	12.125%
Transportation equipment	3%	8	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 diminution in value based on the indication of diminution in value for fixed assets. In the event the recoverability of fixed assets is less than its carrying amount, provision is made based on such difference.

### 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.

## 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 Regulations for Business Enterprises or obtained by way of land grant premiums is recorded as intangible assets and is amortized based on the following periods. Land use right acquired by the Company after the implementation of Accounting Regulations for Business Enterprises or obtained by way of land grant premiums before the development or construction of self-use project is recorded as intangible assets and 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 diminution in value based on the indication of diminution in value 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.

## Expected liabilities

In the event the related obligations of contingent liabilities meet the following conditions, the Company will recognised the amount as expected liabilities: (1) that obligations are the current obligations that the Company is responsible for; (2) the implementation of that obligations will probably lead to outflow of economic benefits; (3) the monetary amount of that obligations can be reliably ascertained.

## 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. Other borrowing expenses are charged to the profit and loss account as incurred.

## Non-monetary transactions

Non-monetary transactions are transactions based on non-monetary assets which involves no or few monetary assets (i.e., cash compensation).

For non-transaction involving no cash compensation, the acquired asset is recorded at the book value of the disposed asset plus the related payable tax and expenses. For non-transactions involving payment of cash compensation, the acquired asset is recorded at the book value of the disposed asset plus the cash compensation and the related payable tax and expenses. For non-transaction involving receipt of cash compensation, the acquired asset is recorded at the book value of the disposed asset, less the cash compensation, and plus the gains to be recognized and the related payable tax and expenses; meanwhile, the difference from the cash compensation less the product derived from multiplying the compensation by the book value to fair value ratio of the disposed asset is recognized as the current gaining. In case of non-transaction involving more than one asset to be acquired, the total book value of the disposed assets and the related payable tax and expenses are allocated, based on the percentage of the fair values of the respective acquired assets in the total fair value of such acquired assets, so as to determine the book values of the respective acquired assets.



## Revenue Recognition

### Sales of goods

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, the Company no longer manages or physically controls the goods, the economic benefit relating to the transaction has been received by the Company and the related income and expenses can be reliably ascertained.

### Interest income

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable as well as its recoverability.

### Leases

Leases where all the rewards and risks of ownership of assets have been transferred in substance are accounted for as finance leases. Leases other than finance leases are accounted for as operating leases.

#### Recognition of operating lease transactions by the Company as a lessee

Rentals applicable to operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

#### Recognition of operating lease transactions by the Company as a lessor

Rental applicable to operating leases are credited to the profit and loss account on a straight-line basis over the lease term.

### 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

### (1) Principle of determination of consolidation

Scope of consolidation includes the Company and its subsidiaries as set out in note 5. 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 principal accounting policy as the Company.

The operating results and cash flows of subsidiaries for the period after their acquisition and before their disposals are properly included in the Group's profit and loss account and cash flow statement.

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 Renminbi financial statements according to the following:

Shareholders' funds other than the "undistributed profit" are translated into Renminbi 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 2004. Items as set out in profit and loss account and profit distribution statement are translated into Renminbi 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 translation of foreign currency statements" which is disclosed as a separate item in the balance sheet.

All items as set out in the cash flow statement are translated into Renminbi at an average rate. 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 disclosed as a separate item in the cash flow statement.

Opening balance and the actual amount in the corresponding period of the previous year are respectively stated after translation at rates set out in the financial statements for the previous year rate and the corresponding period of 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	Nature and type of corporation	Consolidated for the year
Beijing Beiren Fuji Printing 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
Beijing Beiren Jing Yan Printing Machinery Factory	Yan Qing Xian, Beijing (note 2)	Rmb 21,050,000.00	99.76	Manufacturing of printing machines and spare parts and provision of technical consultancy services	Joint stock associated	Yes
Beiren Tai He Printing and Casting Factory	Da Xing District, Beijing (note 3)	Rmb 4,000,000.00	62.50	Manufacturing of casting parts for printing machinery	Collectively owned	No
Beijing Beiren Printing Machinery Accessories Factory	Ping Gu District, Beijing (note 3)	Rmb2,000,000.00	94.65	Manufacturing of parts and components for printing machines	Owned by the whole people	No
Hebei Beiren Gei Zhi Ji Company Limited	Shi Jia Zhuang, Hebei Province	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 Men, Jiangsu Province (note 4)	Rmb40,000,000.00	59.62	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 Nan Shan, Shaanxi Province (note 5)	Rmb115,000,000.00	86.24	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	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 6)	Rmb1,500,000.00	51.00	Sale, installation and testing of printing machines and related accessories and provision of technical consultancy services	Limited	No

### Notes:

(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 Xian, Belfu Printing Operating and Sale Company Limited (note 6)	Xi'an 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

- (2) On 16 February 2004, the Company contributed an additional capital of Rmb17,000,000.00 to Beijing Beiren Jing Yan Printing Machinery Factory ("Jing Yan"). Following the contribution, the registered capital of Jing Yan was increased to Rmb21,050,000.00, of which the Company contributed Rmb21,000,000.00, representing a shareholding of 99.76% increased from the previous 98.75%. As the investment cost of the Company was greater than its share of owners' interests in Jing Yan amounting to Rmb27,976.94 upon completion of the contribution, an equity investment difference is recognized, which is amortised in full during the current period.
- (3) The Company's subsidiaries Beiren Tai He Printing and Casting Factory and Beijing Beiren Printing Machinery Accessories Factory commenced liquidation in 2003. In accordance with the "The Provisional Requirement of Consolidated Accounting Statement", the financial statements of the subsidiaries were not included into the consolidated financial statements. The Company adopts the equity method for consolidated financial statements to recognize its investment in the two subsidiaries.
- (4) During the period, the Company and Beiren Fuji respectively contributed additional capitals of Rmb9,000,000.00 and Rmb2,000,000.00 to Haimen Beiren Fuji Printing Machinery Company Limited ("Haimen Beifu"). Following the contributions, the registered capital of Haimen Beiren was increased to Rmb40,000,000.00, of which the Company contributed Rmb23,848,000.00, representing a shareholding of 59.62% increased from the previous 51.2%; Beiren Fuji contributed Rmb10,352,000.00, representing a shareholding of 25.88% decreased from the previous 28.8%; natural person shareholders contributed Rmb5,800,000.00, representing a shareholding of 14.5% decreased from the previous 20%. As the investment cost of the Company was greater than its share of owners' interests in Haimen Beifu amounting to Rmb668,319.66 upon completion of the contribution, an equity investment difference is recognized, which is amortised in full during the current period.

As at 30 June 2004, the relevant registration procedures for changes in the registered capital of Haimen Beifu are not completed.

- (5) On 8 April 2003, the Company contributed an additional capital of Rmb15,000,000.00 to Shaanxi Beiren Printing Machinery Company Limited ("Shaanxi Printing"). Following the contribution, the registered capital of Shaanxi Printing was increased to Rmb115,000,000.00, of which the Company contributed Rmb99,180,000.00, representing a shareholding of 86.24% increased from the previous 84.18%. As the investment cost of the Company was greater than its share of owners' interests in Shaanxi Printing amounting to Rmb211,494.29 upon completion of the contribution, an equity investment difference is recognized, which is amortised in full during the current period.
- (6) Pursuant to the requirements of "Reply to the Request for Classification on the Scope of Preparing Consolidated Accounts" [Cai Kuai Er Zi (1996) No.2] issued by the Accounting Bureau of the Ministry of Finance, as the total asset value, sales revenue and net profit of the year of Hubei Beiren Printing Machinery Operation and Sale Company Limited and Xi'an Beiren Beifu Printing Operation and Sale Company Limited, subsidiaries of the Company, as computed based on the formulae set out in the document are less than 10%, they are not included in the consolidated statements. Both of the said companies recorded positive profits during the period from 1 January 2004 to 30 June 2004. Equity investments in these two subsidiaries are included in the consolidated financial statements by equity method.

Save as circumstances mentioned in notes (3) and (6), the above directly held subsidiaries are included in consolidated statements. Save as excluding Beijing Beiren Printing Machinery Accessories Factory from the scope of consolidation, the consolidated financial statements for the period is consistent with that of the corresponding period last year in terms of the scope of consolidation.

Name of the associated companies	Registered place	Registered share capital Rmb	Percentage of equity directly held by the Company %	Nature of Business	Type of Corporation
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 (note 7)	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
Xi'an Beiren Beifu Printing Operation and Sale Company Limited	Xi'an, 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 Limited	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 provision of technical consultancy and training for self-produced products	Sino-joint venture
Beijing Beiyang Printing and Casting Company Limited	Beijing	5,680,000.00	20	Processing and sale of standard and non-standard spare parts, manufacturing of mould parts, processing of moulds, and technology development, transfer, consultancy and service	Limited

- (7) Guangzhou Beiren Hengtong Printing Machinery Operation and Sale Company Limited commenced liquidation during the period. As at 30 June 2004, the relevant liquidation procedures are not completed.

## 6. CASH AND BANK BALANCES

	Amount in foreign currency	Closing balance Exchange rate	Rmb	Amount in foreign currency	Opening balance Exchange rate	Rmb
Cash						
Renminbi			79,450.68			96,419.95
Foreign currency						
- Japanese Yen	17,091.94	0.076367	1,305.26	116,655.97	0.077263	9,013.19
- Hong Kong dollars	6,940.60	1.060900	7,363.28	3,349.10	1.065700	3,569.14
- Euro	13,040.00	10.073800	131,362.35	1,740.00	10.338300	17,988.64
- U.S. dollars	32,649.80	8.276600	270,229.33	8,310.00	8.276700	68,779.38
- South Korea Won	179,936.06	0.006881	1,238.14	68,947.83	0.006881	474.43
			<u>490,949.04</u>			<u>196,244.73</u>
Bank balances						
Renminbi			155,626,655.63			133,464,518.57
Foreign currency						
- Japanese Yen	288,710.04	0.076367	22,047.92	288,709.86	0.077263	22,306.59
- Hong Kong dollars	6,643,296.54	1.060900	7,047,873.30	6,560,699.71	1.065700	6,991,737.68
- U.S. dollars	37,646.93	8.276600	311,588.56	242,574.06	8.276700	2,007,712.69
			<u>163,008,165.41</u>			<u>142,486,275.53</u>
Total			<u>163,499,114.45</u>			<u>142,682,520.26</u>

## 7. BILLS RECEIVABLE

	Closing balance Rmb	Opening balance Rmb
Bank acceptance notes	<u>22,042,798.61</u>	<u>5,564,262.00</u>

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

Outstanding bills receivable did not have any 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				
	Account Rmb	Percentage (%)	Provision for Bad Debt Rmb	Net amount Rmb	Account Rmb	Percentage (%)	Provision for Bad Debt Rmb	Net amount Rmb
Within 1 year	266,153,692.71	82.90	—	266,153,692.71	207,727,681.69	76.67	—	207,727,681.69
1 year - 2 years	25,528,295.52	7.95	6,221,519.00	19,306,776.52	33,087,893.70	12.21	6,138,928.72	26,948,964.98
2 years - 3 years	19,809,492.95	6.17	9,274,331.75	10,535,161.20	21,471,457.66	7.92	10,830,285.79	10,641,171.87
Over 3 years	9,546,373.33	2.98	8,603,801.43	942,571.90	8,652,663.35	3.20	7,683,454.78	969,208.57
Total	<u>321,037,854.51</u>	<u>100.00</u>	<u>24,099,652.18</u>	<u>296,938,202.33</u>	<u>270,939,696.40</u>	<u>100.00</u>	<u>24,652,669.29</u>	<u>246,287,027.11</u>

The five largest accounts receivable are as follows:

Total amount of the five largest accounts receivable Rmb	Percentage to the total value of the accounts receivable %
<u>64,508,040.40</u>	<u>20.09</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>864,800.00</u>	<u>1,645,425.00</u>

## 9. OTHER RECEIVABLES

The aging of other receivables is analysed as follows:

	Closing balance			Opening balance				
	Account Rmb	Percentage (%)	Provision for Bad Debt Rmb	Net amount Rmb	Account Rmb	Percentage (%)	Provision for Bad Debt Rmb	Net amount Rmb
Within 1 year	54,913,687.64	68.21	—	54,913,687.64	50,960,342.82	69.22	—	50,960,342.82
1 year - 2 years	5,867,552.37	7.29	3,726,872.62	2,140,679.75	6,102,901.96	8.29	3,414,363.39	2,688,538.57
2 years - 3 years	122,527.76	0.15	24,727.04	97,800.72	79,103.89	0.11	36,269.54	42,834.35
Over 3 years	19,605,320.33	24.35	8,188,569.33	11,416,751.00	16,476,250.26	22.38	7,245,336.92	9,230,913.34
Total	<u>80,509,088.10</u>	<u>100.00</u>	<u>11,940,168.99</u>	<u>68,568,919.11</u>	<u>73,618,598.93</u>	<u>100.00</u>	<u>10,695,969.85</u>	<u>62,922,629.08</u>

The five largest other receivable are as follows:

Total amount of the five largest accounts receivable	Percentage to the total value of the accounts receivables
Rmb	%
49,373,796.94	61.33

Details of the balance of 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	29,980,275.11	28,407,092.58

Details of the balance of compensation for removal payable by Beiren Group Corporation to the Company are set out in Note 45(5)(b).

## 10. PROVISION FOR BAD DEBTS

	Opening balance	Provision for the period	Transfer during the period	Closing balance
	Rmb	Rmb	Rmb	Rmb
Amounts receivable	24,652,669.29	—	(553,017.11)	24,099,652.18
Other receivables	10,695,969.85	1,244,199.14	—	11,940,168.99
Total	35,348,639.14	1,244,199.14	(553,017.11)	36,039,821.17

## 11. PREPAYMENT

The aging analysis of prepayment is as follows:

	Closing balance		Opening balance	
	Rmb	%	Rmb	%
Within 1 year	28,127,540.05	99.44	16,726,637.62	93.69
1 year - 2 years	133,772.03	0.48	991,768.05	5.56
Over 3 years	23,692.31	0.08	134,930.31	0.75
Total	28,285,004.39	100.00	17,853,335.98	100.00

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

	Closing balance	Opening balance
	Rmb	Rmb
Beiren Group Corporation	390,000.00	600,000.00

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

	Amount	Closing balance Provision for diminution in value	Net balance	Amount	Opening balance Provision for diminution in value	Net balance
	Rmb	Rmb	Rmb	Rmb	Rmb	Rmb
Raw materials	83,120,367.41	1,527,821.48	81,592,545.93	83,491,023.30	1,527,821.48	81,963,201.82
Work in progress	222,733,489.97	9,729,205.26	213,004,284.71	196,970,929.81	6,850,145.43	190,120,784.38
Finished goods	278,916,121.83	29,365,550.43	249,550,571.40	231,172,322.62	29,149,692.93	202,022,629.69
Semi-finished goods	28,614,855.74	—	28,614,855.74	45,376,874.97	—	45,376,874.97
Low value consumables	943,867.69	—	943,867.69	922,212.99	—	922,212.99
Total	614,328,702.64	40,622,577.17	573,706,125.47	557,933,363.69	37,527,659.84	520,405,703.85

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

	Opening balance	Provision for the period	Transfer during the period	Closing balance
	Rmb	Rmb	Rmb	Rmb
Provision for diminution in value of inventories				
Raw materials	1,527,821.48	—	—	1,527,821.48
Work in progress	6,850,145.43	2,879,059.83	—	9,729,205.26
Finished goods	29,149,692.93	2,186,303.40	(1,970,445.90)	29,365,550.43
Total	37,527,659.84	5,065,363.23	(1,970,445.90)	40,622,577.17

## 13. LONG TERM EQUITY INVESTMENTS

	Closing balance Rmb	Opening balance Rmb
Investment in subsidiaries not included in scope of consolidation	5,107,234.51	4,481,538.49
Investment in associated companies	6,658,198.37	11,864,524.22
Other equity investment	2,379,380.92	2,379,380.92
Total	14,144,813.80	18,725,443.63
Less: provision for diminution of long term equity investment	(4,501,442.05)	(4,501,442.05)
Long term equity investment, net	9,643,371.75	14,224,001.58

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

	Rmb
Opening balance	4,501,442.05
Addition in the period	—
Transfer in the period	—
Closing balance	4,501,442.05

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

Name of invested companies	Initial investment Rmb	Additional investment Rmb	Share of registered equity holding (%)	Increase / decrease in equity interest in invested companies Rmb	Accumulated increase/decrease Rmb	Provision for diminution in value Rmb	Closing book value Rmb
Subsidiaries not included in consolidation							
Beijing Beiren Tai He Casting Factory (note 1)	2,500,000.00	—	62.50	—	(731,493.64)	(1,768,506.36)	—
Beijing Beiren Printing Machinery Accessories Factory (note 1)	1,892,913.00	—	94.65	—	(1,539,358.23)	(353,554.77)	—
Xi'an Beiren Beifu Printing Machinery Operation	1,500,000.00	—	85.00	445,372.30	520,754.87	—	2,020,754.87
Hubei Beiren Printing Machinery Operation and Sale Company Limited	765,000.00	—	51.00	197,376.55	199,418.51	—	964,418.51
	6,657,913.00	—		642,748.85	(1,550,678.49)	(2,122,061.13)	2,985,173.38
Associated companies Ningxia							
Beiren Xinhua Printing Joint Stock Company Limited (note 2)	7,343,335.72	(5,483,272.59)	—	(64,678.22)	(1,860,063.13)	—	—
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	900,000.00	—	45.00	87,225.13	102,263.34	—	1,002,263.34
Guangzhou Beiren Hengtong Printing Machinery Company Limited	450,000.00	—	30.00	26,738.53	(27,677.84)	—	422,322.16
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	343,000.00	—	49.00	(70,642.15)	(61,208.63)	—	281,791.37
Beijing Beiyong Casting Company Limited	1,136,000.00	—	20.00	333,991.24	199,544.31	—	1,335,544.31
Beijing Monigraf Automatic Systems Company	3,675,000.00	—	49.00	(35,687.79)	(58,722.81)	—	3,616,277.19
	13,847,335.72	(5,483,272.59)		276,946.74	(1,705,864.76)	—	6,658,198.37
	20,505,248.72	(5,483,272.59)		919,695.59	(3,256,543.25)	(2,122,061.13)	9,643,371.75

Note 1: In 2003, the Company commenced liquidation of Beijing Beiren Tai He Printing and Casting Factory and Beijing Beiren Printing Machinery Accessories Printing Factory. As such, provision has been made for all diminution in value loss on the subsidiary's long term investment as the expected recoverability of receivables is highly uncertain.

Note 2: Pursuant to the equity transfer agreement dated 7 April 2004 entered into between the Company and Ningxia Xinhua Printing Factory, a shareholder of Ningxia Beiren Xinhua Printing Joint Stock Company Limited ("Ningxia Beiren"), the Company transferred all of its 28.76% interests in Ningxia Beiren to Ningxia Xinhua Printing Factory at a consideration of Rmb4,353,549.47. Ningxia Beiren paid the amount with fixed assets stated at cost of Rmb3,395,849.00 and cash amounting to Rmb957,700.47 to the Company. The net book value of the said equity interests was Rmb5,483,272.59 on the disposal day, thereby resulting in a loss amounting to Rmb1,129,723.12 on such disposal of long-term equity investment.

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

Names of invested companies	Amount of investment Rmb	Opening and closing balances of provision for diminution in value	Closing balance of net book value Rmb
		Rmb	
Tianjin Jinqin Printing Board Plant	2,279,380.92	(2,279,380.92)	—
Ying Shen Associated Company	50,000.00	(50,000.00)	—
Xian Printing Joint Development Company	50,000.00	(50,000.00)	—
	<u>2,379,380.92</u>	<u>(2,379,380.92)</u>	<u>—</u>

Closing balance of other equity investment included investment amounting to Rmb2,379,380.92 by Shaanxi Beiren Printing Machinery Company Limited, a subsidiary of the Company, to Tianjin Jinqin Printing Board Plant, Ying Shen Associated Company, and Xian Printing Joint Development Company during the previous years. Since the Company had no control or material influence on the said investment for which it is highly uncertain in determining the recoverable amount, provision was made in full for such investment amount.

## (3) Difference in long term equity investment

Name of invested companies	Initial amount Rmb	Opening balance Rmb	Addition in the period Rmb	Amortisation in the period Rmb	Remaining amount Rmb
Beijing Beiren Jing Yan Printing Machinery Factory	27,976.94	—	27,976.94	(27,976.94)	—
Haimen Beiren Printing Machinery Company Limited	668,319.66	—	668,319.66	(668,319.66)	—
Shaanxi Beiren Printing Machinery Company Limited	211,494.29	—	211,494.29	(211,494.29)	—
	<u>907,790.89</u>	<u>—</u>	<u>907,709.89</u>	<u>(907,790.89)</u>	<u>—</u>

Note: Please refer to Note 5(2), (4), (5) for details.

## 14. LONG TERM INVESTMENT IN DEBTS

	Opening and closing balances Rmb
Long term investment in debts	32,727,000.00
Less: Provision for diminution in value of long term investment in debts	(13,333,200.00)
Long term investment in debts, net	<u>19,393,800.00</u>

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

	Rmb
Opening balance	13,333,200.00
Addition during the period	—
Closing balance	<u>13,333,200.00</u>

The long term investment in debts was originally the deposit for purchase of four flats from South-east Asia Investment and Development Company Limited ("SEAIACL") in Macau in 1995. The amount is HK\$30,000,000.00 (equivalent to Rmb32,727,000.00). Under the contract, SEAIACL is entitled to request the Company to give up acquiring the property in accordance with the performance of the contract, provided that SEAIACL shall repay the Company the said deposit and interest accrued thereon by way of instalment pursuant to the terms and dates stated in the contract.

As at 31 December 1998, the accumulated interest income received by the Company from SEAIACL amounted to HK\$18,750,000.00, 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.

At the end of the year 2001, based on the asset valuation report issued by Yong Li Hong Valuation Consultancy Company Limited on 8 July 2001, and 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.

On 1 February 2002, the Company and SEAIACL entered into an agreement for implementation of the undertaking for sale and purchase contract with respect of the aforesaid due amount. Pursuant to the agreement, 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 SEAIACL in exchange for the title of the original properties. SEAIACL 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. At the end of the year 2003, based on the asset valuation report issued by Yong Li Hong Valuation Consultancy Company Limited, management of the Company decided to make a provision for diminution in value for the properties of Rmb5,000,000.00 based on the difference between the book value and the recoverable amount.

As at 30 June 2004, the Company has not yet completed the procedures of preparing the title deed for the said properties.

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

	Buildings Rmb	Plant and machinery Rmb	Furniture, fixture and equipment Rmb	Motor vehicle Rmb	Total Rmb
Cost					
At beginning of the period	554,269,097.33	535,606,935.65	56,848,927.74	25,397,774.34	1,172,122,735.06
Additions	—	20,260.41	1,058,630.86	74,889.49	1,153,780.76
Other transfer in the period (note 4)	—	3,395,849.00	—	—	3,395,849.00
Transfer from construction in progress	—	21,446,785.26	230,830.65	—	21,677,615.91
Obsolescence	(7,380,758.51)	(7,277,846.95)	(180,672.08)	(1,872,353.04)	(16,711,630.58)
At end of the period	546,888,338.82	553,191,983.37	57,957,717.17	23,600,310.79	1,181,638,350.15
Accumulated depreciation					
At beginning	91,199,716.72	293,380,818.27	38,057,874.64	15,344,682.41	437,983,092.04
Provision for the period	5,035,290.50	13,366,571.15	2,842,468.14	1,034,866.52	22,279,196.31
Obsolescence	(1,442,101.55)	(6,669,142.05)	(163,517.19)	(1,477,094.43)	(9,751,855.22)
At end of the year	94,792,905.67	300,078,247.37	40,736,825.59	14,902,454.50	450,510,433.13
Provision for diminution in value					
At beginning	6,500,000.00	24,991,953.58	—	—	31,491,953.58
Provision for the period	—	941,853.28	—	—	941,853.28
At end of the period (note 1)	6,500,000.00	25,933,806.86	—	—	32,433,806.86
Net book values					
At beginning	456,569,380.61	217,234,163.80	18,791,053.10	10,053,091.93	702,647,689.44
At end of the period	445,595,433.15	227,179,929.14	17,220,891.58	8,697,856.29	698,694,110.16
Including: net assets pledged at end of the year (note 2)	9,363,581.73	11,298,795.77	—	—	20,662,377.50
Assets leased out under operating leases at end of the year (note 3)	28,926,639.88	9,696,356.14	259,871.36	4,072.91	38,886,940.29

### Notes:

- In accordance with the "Accounting Regulations for Business Enterprises", the Company made a provision for diminution in value of Rmb32,433,806.86 where the recoverable amount of fixed assets was lower than the net book value.
- The closing balance of assets under pledge covers a short term loan amounting to Rmb29,300,000.00 (please refer to Note 19 for details) from China Industrial and Commercial Bank (Wei Nan Branch) and a long term loan amounting to Rmb13,000,000.00 (please refer to Note 28 for details) from China Construction Bank (Wei Nan Branch) granted to the Company's subsidiary company Shaanxi Beiren Printing Machinery Company Limited, as well as a short term loan amounting to Rmb1,000,000.00 from Haimen City Credit Cooperative and a short term loan amounting to 3,500,000.00 (please refer to Note 19 for details) granted to the Company's subsidiary company Haimen Beiren Printing Machinery Company Limited.
- During the period, the Company respectively leased out certain fixed assets with cost as Rmb43,466,656.97 and Rmb1,229,794.51 to Beijing Beiyang Printing and Casting Company Limited and Beijing Monigraf Automatic Control System Limited. As at 30 June 2004, the net book value of the above fixed assets amounted to Rmb38,214,879.38 and Rmb672,060.91. Details are set out in notes 2 and 3 of Note 45 (5)(d).
- Other transfer represents fixed assets amounting to Rmb3,395,849.00 received by the Company due to the disposal of investment in Ningxia Beiren Xiahua Printing Joint Stock Company Limited during the period, details of which are set out in Note 13 (1) Note 2.

## 16. CONSTRUCTION IN PROGRESS

		Opening balance Rmb	Addition in the period Rmb	Transfer upon completion in the period Rmb	Reductions arising from obsolescence in the period Rmb	Closing balance Rmb		
Construction in progress		74,022,870.31	64,563,674.85	(21,677,615.91)	(18,434.40)	116,890,494.85		
Less: provision for diminution in value		(1,165,827.82)	—	—	—	(1,165,827.82)		
Construction in progress, net		72,857,042.49	64,563,674.85	(21,677,615.91)	(18,434.40)	115,724,667.03		

  

Project name	Budget Amount Rmb	Opening balance Rmb	Additions in the period Rmb	Transfer upon completion in the period Rmb	Reduction in obsolescence in the period Rmb	Provision for diminution in value (note 2) Rmb	Closing balance Rmb	Source of funds Rmb	Progress %
Equipment renovation	26,000,000.00	34,751,607.39	4,057,294.99	(21,512,615.91)	—	(1,165,827.82)	16,130,458.65	Internal resources	90
Development of new plant site	28,130,000.00	—	16,044,261.45	—	—	—	16,044,261.45	Internal resources	80
Workshop improvements	45,000,000.00	39,271,262.92	44,462,118.41	(165,000.00)	(18,434.40)	—	83,549,946.93	Internal resources	95
	99,730,000.00	74,022,870.31	64,563,674.85	(21,677,615.91)	(18,434.40)	(1,165,827.82)	115,724,667.03		



- Notes: (1) During the year, there was no interest capitalised.
- (2) the Company has made full provision for diminution in value for construction in progress which has been suspended for a long term and is not expected to restart in the coming three years.

Changes in provision for diminution in value of construction in progress are as follows:

	<i>Rmb</i>
Opening balance	1,165,827.82
Provision in the period	—
Transfer in the period	—
Closing balance	<u>1,165,827.82</u>

## 17. INTANGIBLE ASSETS

	Land use right <i>Rmb</i>	Industrial property right and technical knowledge <i>Rmb</i>	Financial software <i>Rmb</i>	Total <i>Rmb</i>
At cost				
Opening balance	74,726,669.30	11,085,296.13	330,268.00	86,142,233.43
Addition in the period	—	—	230,000.00	230,000.00
Closing balance	<u>74,726,669.30</u>	<u>11,085,296.13</u>	<u>560,268.00</u>	<u>86,372,233.43</u>
Accumulated amortisation				
Opening balance	3,866,897.47	7,091,103.71	—	10,958,001.18
Provision in the period	1,706,768.94	534,636.60	7,666.00	2,249,071.54
Closing balance	<u>5,573,666.41</u>	<u>7,625,740.31</u>	<u>7,666.00</u>	<u>13,207,072.72</u>
Provision for diminution in value				
Opening and closing balances	—	—	—	—
Net value				
Opening balance	<u>70,859,771.83</u>	<u>3,994,192.42</u>	<u>330,268.00</u>	<u>75,184,232.25</u>
Closing balance	<u>69,153,002.89</u>	<u>3,459,555.82</u>	<u>552,602.00</u>	<u>73,165,160.71</u>
Including: net assets pledged at the end of the period (note)	<u>28,901,539.19</u>	<u>—</u>	<u>—</u>	<u>28,901,539.19</u>

Note: As at 30 June 2004, net value of assets under pledge consists of the closing balances of assets pledged for a short term loan amounting to Rmb29,300,000.00 (please refer to Note 19 for details) from China Industrial and Commercial Bank (Wei Nan Branch) and a long term loan amounting to Rmb13,000,000.00 (please refer to Note 28 for details) from China Construction Bank (Wei Nan Branch) granted to the Company's subsidiary company Shaanxi Beiren Printing Machinery Company Limited.

## 18. LONG TERM DEFERRED EXPENSES

Type	Opening balance <i>Rmb</i>	Amortised during the period <i>Rmb</i>	Closing balance <i>Rmb</i>	Remaining amortisation period
Land development cost	12,366,291.10	(73,000.00 )	12,293,291.10	39 years
Equipment improvement	121,190.90	(51,419.60 )	69,771.30	4 years
	<u>12,487,482.00</u>	<u>(124,419.60 )</u>	<u>12,363,062.40</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.

# 2004 Interim Report

## 19. SHORT TERM LOAN

Type of loan	Closing balance Rmb	Opening balance Rmb
Guaranteed bank loans	36,000,000.00	33,500,000.00
Pledged bank loans	33,800,000.00	29,500,000.00
Credit bank loans	110,000,000.00	61,000,000.00
	<u>179,800,000.00</u>	<u>124,000,000.00</u>

As at 30 June 2004, the closing balance of guaranteed bank loans bearing an annual interest rate of 5.31% was guaranteed by Beiren Group Corporation. See Note 45(5)(c) for details.

As at 30 June 2004, the closing balance of outstanding pledged bank loans arose from 3 short-term loans. One of them was an 1-year term loan of Rmb29,300,000.00 bearing an annual interest rate of 5.84% made by a subsidiary of the Company from China Industrial and Commercial Bank (Wei Nan Branch). Such loan was guaranteed by land use right with net value of Rmb15,125,282.88 and auxiliary structures erected thereon with net value of Rmb5,152,352.05 and machinery with net value of Rmb8,915,176.63. Another loan was an 1-year term loan of Rmb1,000,000.00 bearing an annual interest rate of 5.418% made by a subsidiary of the Company from Haimen City Credit Society, guaranteed by machinery with net value of Rmb2,383,619.14. The third loan was an 1-year term loan of Rmb3,500,000.00 bearing an annual interest rate of 6.372% made by the subsidiary from China Industrial and Commercial Bank (Haimen Branch), guaranteed by undeveloped land use right with net value of Rmb4,891,600.00.

## 20. BILLS PAYABLE

Type of loan	Closing balance Rmb	Opening balance Rmb
Bills payable due within one year	21,627,165.04	7,000,000.00

No bills payable due to shareholders who hold more than 5% of the share capital of the Company.

## 21. ACCOUNTS PAYABLE

	Closing balance		Opening balance	
	Rmb	%	Rmb	%
Within 1 year	178,862,147.66	91.63	160,838,086.06	90.15
1-2 years	5,040,062.60	2.58	12,174,382.09	6.82
2-3 years	8,308,494.55	4.26	2,852,444.46	1.60
over 3 years	2,992,842.49	1.53	2,542,114.75	1.43
	<u>195,203,547.30</u>	<u>100.00</u>	<u>178,407,027.36</u>	<u>100.00</u>

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

Name of Shareholder	Closing balance Rmb	Opening balance Rmb
Beiren Group Corporation	2,682,732.70	1,981,875.28

## 22. RECEIPTS IN ADVANCE

No receipts in advance from shareholders who hold more than 5% of the share capital of the Company.

## 23. TAXES PAYABLES

	Closing balance Rmb	Opening balance Rmb
Income tax	6,464,061.40	7,204,795.79
Value added tax	10,516,986.34	18,109,273.57
Business tax	10,770.06	183,264.37
Urban maintenance and construction tax	399,718.33	820,909.55
Others	105,478.21	1,046,106.67
	<u>17,497,014.34</u>	<u>27,364,349.95</u>

## 24. SUNDRY PAYABLES

Nature	Basis of charges	Closing balance Rmb	Opening balance Rmb
Educational surcharge	3% of value added tax and business tax payable	231,371.27	361,391.31
Others		161,558.63	298,656.25
		<u>392,929.90</u>	<u>660,047.56</u>

## 25. OTHER PAYABLES

The aging analysis of other payables is as follows:

	Closing balance		Opening balance	
	Rmb	%	Rmb	%
Within 1 year	99,400,947.87	60.04	77,268,657.95	54.30
1 - 2 years	6,404,835.86	3.87	1,752,302.78	1.23
2 - 3 years	933,228.55	0.56	3,021,604.31	2.12
Over 3 years	58,810,849.09	35.53	60,260,254.52	42.35
	<u>165,549,861.37</u>	<u>100.00</u>	<u>142,302,819.56</u>	<u>100.00</u>

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

Name of Shareholder	Closing balance Rmb	Opening balance Rmb
Beiren Group Corporation	<u>57,266,627.28</u>	<u>57,266,627.28</u>

As at 30 June 2004, the Company had payments of Rmb57,266,627.28 due to Beiren Group Corporation in respect of the acquisition of assets of Beijing No. 4 Plant.

## 26. ACCRUED LIABILITIES

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

The balance of accrued liabilities arose from the Company's intended payments of settlement fee and medical fee to well-off employees and retired employees respectively of Shaanxi Beiren Printing Machinery Company Limited upon the Company's acquisition of the latter company in 2002.

## 27. DIVIDENDS PAYABLE

Name of Investor	Closing balance Rmb	Opening balance Rmb
State-owned legal person shares	20,000,000.00	—
Domestic listed Rmb ordinary shares	5,760,000.00	—
Overseas listed foreign shares	8,000,000.00	—
	<u>33,760,000.00</u>	<u>—</u>

## 28. 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 Nan Branch)	20,000,000.00	24,000,000.00	22.1.2002-3.11.2004	Interest-free	Credit loans
China Industrial and Commercial Bank (Wei Nan Branch)	2,000,000.00	2,400,000.00	11.9.1998-10.9.2004	8.01	Guaranteed Loans
China Construction Bank (Wei Nan Branch)	13,000,000.00	13,000,000.00	26.9.2002-26.9.2004	6.04	Pledged Loans
	<u>35,000,000.00</u>	<u>39,400,000.00</u>			
Less: Long term debt due within one year	(27,000,000.00)	(31,400,000.00)			
Repayable due after one year	<u>8,000,000.00</u>	<u>8,000,000.00</u>			
Types of loans repayable within one year:					
Credit loans	20,000,000.00	24,000,000.00			
Pledged loans	2,000,000.00	2,400,000.00			
Guaranteed loans	<u>5,000,000.00</u>	<u>5,000,000.00</u>			

Note 1: According to the requirements of the Document GongYin Shan Ban Fa [2001] No. 440 and the Document Guo Fa [97] No. 10, upon the transfer of Shaanxi Beiren Printing Machinery Company ("Shaanxi Printing Machinery") to the Company, China Industrial and Commercial Bank (Wei Nan 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 2004, the balance of the loan amounted to Rmb20,000,000.00.

Note 2: China Industrial and Commercial Bank (Wei Nan Branch) provided an outstanding long term loan of Rmb2,000,000.00 to the Company, which was guaranteed by Shaanxi Huanggong Group Printing Machinery Company Limited.

Note 3: China Construction Bank (Wei Nan Branch) provided an outstanding long term loan of Rmb13,000,000.00 to the Company which was guaranteed by land use right with net value of Rmb13,776,256.31 and properties with net value of Rmb4,211,229.68.

# 2004 Interim Report

## 29. LONG TERM PAYABLES

	Closing balance Rmb	Opening balance Rmb
Long term payables	29,550,000.00	29,550,000.00
Less: Long term debt due within one year	9,225,000.00	6,150,000.00
Repayable due after one year	20,325,000.00	23,400,000.00

At the time the Company's subsidiary Beijing Beiren Yuxin Plastic Printing Company Limited ("Beiren Yuxin") was set up, its minority shareholder Beijing Plastic Printing Factory contributed part of its net assets to 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 2008. According to the agreement, Rmb9,225,000.00 will be due within one year.

## 30. DEFERRED TAX CREDIT

	Closing balance and opening balance Rmb
Deferred tax credit	242,941.38

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.

## 31. SHARE CAPITAL

	Closing and Opening balance (shares)
Non-circulating shares	
Promoter's shares - State-owned legal person shares	250,000,000.00
Sub-total of non-circulating shares	250,000,000.00
Circulating shares	
Domestic listed Renminbi ordinary shares	72,000,000.00
Overseas listed foreign shares	100,000,000.00
Sub-total of circulating shares	172,000,000.00
Total number of shares	422,000,000.00

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

## 32. CAPITAL RESERVE

During 2003 and the period from 1 January to 30 June 2004, changes in capital reserve are as follows:

	Share Premium Rmb	Provision of equity investment Rmb (Note)	Other capital reserve Rmb	Total Rmb
As at 1 January 2003	398,134,633.19	1,394,960.10	1,226,287.00	400,755,880.29
Addition in previous period	119,170,845.74	111,533.67	179,359.57	119,461,738.98
As at 31 December 2003	517,305,478.93	1,506,493.77	1,405,646.57	520,217,619.27
Addition in the period	—	562,934.17	—	562,934.17
As at 30 June 2004	517,305,478.93	2,069,427.94	1,405,646.57	520,780,553.44

Note: Addition in the year was the equity investment provision resulting from the Company's subsidiary Beiren Fuji's transfer of equity investment balance to capital reserve in connection with its increase in capital input for Haimen Beiren.

### 33. SURPLUS RESERVE

During 2003 and the period from 1 January to 30 June 2004, changes in surplus reserve are as follows:

	Statutory surplus reserve <i>Rmb</i>	Discretionary surplus reserve <i>Rmb</i>	Statutory public welfare fund <i>Rmb</i>	Total <i>Rmb</i>
As at 1 January 2003	54,661,616.46	42,979,710.17	49,009,267.88	146,650,594.51
Addition in previous period	10,723,620.70	—	8,567,270.70	19,290,891.40
As at 31 December 2003	65,385,237.16	42,979,710.17	57,576,538.58	165,941,485.91
Addition in the period	5,824,344.79	—	5,824,344.79	11,648,689.58
As at 30 June 2004	71,209,581.95	42,979,710.17	63,400,883.37	177,590,175.49

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.

### 34. CASH DIVIDEND RESOLVED FOR DISTRIBUTION AFTER THE BALANCE SHEET DATE

	For the six months ended 30.6.2004 (Accumulated) <i>Rmb</i>	For the six months ended 30.6.2003 (Accumulated) <i>Rmb</i>
Opening balance	33,760,000.00	42,200,000.00
Less: Amount of dividend payable carried forward	(33,760,000.00)	(42,200,000.00)
Add: Cash dividend resolved for distribution after the balance sheet date	(Note)	—
Closing Balance	—	33,760,000.00

Note: As determined at the 15th meeting of the fourth Board of Directors held on 30 March 2004, the Company distributed a cash dividend of Rmb0.08 per share (including tax) to all of its shareholders on the basis of the 422,000,000 issued shares. The profit distribution plan was approved at the Annual General Meeting.

### 35. RETAINED PROFITS

	For the six months ended 30.6.2004 (Accumulated) <i>Rmb</i>	For the six months ended 30.6.2003 (Accumulated) <i>Rmb</i>
Retained profits at 1 January 2004	60,699,762.90	31,702,840.27
Add: Net profits for the year	58,999,744.90	82,047,814.03
Less: Transfer to statutory surplus reserve	(Note 1) (5,824,344.79)	(10,723,620.70)
Transfer to statutory public welfare fund	(Note 2) (5,824,344.79)	(8,567,270.70)
Profits distributable to shareholders	108,050,818.22	94,459,762.90
Less: cash dividend resolved for distribution after the balance sheet date	—	(33,760,000.00)
Retained profits at 31 December 2004	108,050,818.22	60,699,762.90

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 of the Company is transferred to statutory surplus reserve, subject to the approval of shareholders' general meeting.

In consolidated financial statements, profits is transferred to statutory surplus reserve according to the Company's share of transfer in its subsidiary for the year.

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 of the Company is transferred to statutory public welfare fund as proposed by the Board of Directors, subject to the approval of shareholders' general meeting.

In consolidated financial statements, profits is transferred to statutory surplus reserve according to the Company's share of transfer in its subsidiary for the year.

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

	For the six months ended 30.6.2004 (Accumulated)		For the six months ended 30.6.2003 (Accumulated)	
	Turnover	Cost of sales	Turnover	Cost of sales
	Rmb	Rmb	Rmb	Rmb
Local sales				
Sheet-fed offset printing machines	262,701,580.07	165,638,821.30	274,634,007.09	164,873,234.75
Web-fed offset printing machines	100,173,264.84	68,870,223.12	56,831,503.18	43,580,679.19
Instrusion printing machines	66,438,205.13	52,839,166.98	59,138,404.01	44,056,735.76
Pressing machines	136,752.14	291,024.36	978,632.48	1,561,267.03
Form-printing machines	36,399,999.99	30,805,326.38	28,401,709.40	22,087,143.51
Sale of spare parts	7,196,020.72	4,958,460.85	11,385,476.67	7,984,911.97
Printing operations	13,950,699.92	9,283,975.24	13,225,251.39	9,163,518.35
Others	6,005,077.22	3,717,568.03	5,243,563.05	3,970,178.90
	<u>493,001,006.03</u>	<u>336,404,566.26</u>	<u>449,838,547.27</u>	<u>297,277,669.46</u>
Export sales				
Sheet-fed offset printing machines	682,639.44	287,778.12	5,648,723.41	4,188,175.00
Web-fed offset printing machines	12,115,610.40	5,138,119.84	—	—
Instrusion printing machines	15,910,526.66	10,893,956.59	—	—
Form-printing machines	3,054,213.00	2,483,547.38	5,696,630.90	4,601,738.74
Sale of spare parts	20,283.50	12,170.00	—	—
	<u>31,783,273.00</u>	<u>18,815,571.93</u>	<u>11,345,354.31</u>	<u>8,789,913.74</u>
	<u>524,784,873.03</u>	<u>355,220,138.19</u>	<u>461,183,901.58</u>	<u>306,067,583.20</u>
Percentage of sales to the top five customers	Percentage of the total sales			
Rmb				
10.582	20.16			

**37. 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

**38. FINANCE COSTS**

	For the six months ended 30.6.2004 (Accumulated) Rmb	For the six months ended 30.6.2003 (Accumulated) Rmb
Interest expenses	5,184,488.36	6,460,243.92
Less: Interest income	865,691.55	1,026,637.73
Exchange loss	75,770.42	3,392.84
Less: Exchange income	5,146.28	156,759.31
Handling charge of financial institutions and others	317,549.59	142,548.31
	<u>4,706,970.54</u>	<u>5,422,788.03</u>

**39. INVESTMENT INCOME**

	For the six months ended 30.6.2004 (Accumulated) Rmb	For the six months ended 30.6.2003 (Accumulated) Rmb
Long term investment income		
Loss recognized using equity method	919,695.59	(214,355.17)
Loss on diminution in value of long term equity investment	—	(5,768,506.36)
Disposal of loss on long term equity investment (note)	(1,129,723.12)	—
Amortisation of difference in equity investment	(907,790.89)	(12,908.07)
	<u>(1,117,818.42)</u>	<u>(5,995,769.60)</u>

Note: Please refer to Note 13(1), Note(2) for details.

**40. NON-OPERATING INCOME**

Item	For the six months ended 30.6.2004 (Accumulated) <i>Rmb</i>	For the six months ended 30.6.2003 (Accumulated) <i>Rmb</i>
Net income from disposal of fixed assets	2,068,408.45	1,308,017.69
Penalty income	1,305.00	7,840.00
Others	202,977.25	56,637.40
	<u>2,272,690.70</u>	<u>1,372,495.09</u>

**41. NON-OPERATING EXPENSES**

Item	For the six months ended 30.6.2004 (Accumulated) <i>Rmb</i>	For the six months ended 30.6.2003 (Accumulated) <i>Rmb</i>
Expenses on disposal of fixed assets, net	2,433,221.63	499,827.22
Provision for impairment of construction in progress	—	(6,248,048.13)
Write-back of provision for impairment of fixed assets	941,853.28	—
Penalty expenses	100.00	4,981.07
Others	53,077.72	117,825.06
	<u>3,428,252.63</u>	<u>(5,625,414.78)</u>

**42. INCOME TAX**

Item	For the six months ended 30.6.2004 (Accumulated) <i>Rmb</i>	For the six months ended 30.6.2003 (Accumulated) <i>Rmb</i>
Income tax of the Company	10,623,245.00	9,979,317.24
Income tax of subsidiaries	760,952.79	989,237.79
	<u>11,384,197.79</u>	<u>10,968,555.03</u>

**43. OTHER CASH PAID RELATING TO OPERATING ACTIVITIES**

	Amount <i>Rmb</i>
Agency commission paid	4,700,985.40
Payment for trademark fee	3,535,121.13
Audit fee	1,268,900.00
Installation and testing fee	3,002,887.79
Repairs and maintenance	1,228,814.67
Land use fee	1,253,906.78
Advertising, promotion and exhibition	6,173,021.82
Transportation and business travel fee	5,645,521.03
Economic compensation paid	18,881,397.12
Business and meeting fee	1,586,486.83
Others	37,731,225.61
	<u>85,008,268.18</u>

**44. SEGMENT INFORMATION**

As over 90% of the Company's revenue and results are derived from the manufacture and sale of printing machines in the Mainland China, no segmental analysis of financial information is presented.

**45. RELATED PARTY 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 consultation, 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) The Company's shares held by related parties with controlling relationship in the year amounted to Rmb250,000,000. There are no changes occurred during the period.****(3) Changes in registered capital of related 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 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	Rmb17,000,000.00	—	Rmb21,050,000.00
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	Rmb5,000,000.00	—	—	Rmb5,000,000.00
Haimen Beiren Fuji Printing Machinery Company Limited	Rmb29,000,000.00	Rmb11,000,000.00	—	Rmb40,000,000.00
Sheentlife 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
Shaansi Beiren Printing Machinery Company Limited	Rmb100,000,000.00	Rmb15,000,000.00	—	Rmb115,000,000.00

**(4) Relations with related parties that have no controlling relationship**

Name of related party	Relations with the Company
Beijing Yan Long Import and Export Company	Fellow subsidiary of the controlling shareholder
Beiren Hotel	Fellow subsidiary of the controlling shareholder
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
Beijing Beiyong Moulding Company Limited	Associated Company



**(5) The Company had the following significant related party transactions with the above related parties:****(a) Sales and purchases**

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

	For the six months ended 30.6.2004 (Accumulated) <i>Rmb</i>	For the six months ended 30.6.2003 (Accumulated) <i>Rmb</i>
<b>Sale</b>		
Revenue from sales transacted on behalf of the Company (Return of sales)		
– Beijing Yan Long Import and Export Company	(1,923,076.92)	3,700,000.00
– Xian Beiren Beifu Printing Machinery Operation and Sale Company Limited	380,598.29	6,423,128.21
– Hubei Beiren Printing Machinery Operation and Sale Company Limited	26,142,094.02	23,712,090.88
– Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	37,403,333.33	22,051,274.85
– Liaoning Beiren Printing Machinery Operation and Sale Company Limited	10,201,769.23	6,321,109.38
– Guangzhou Beiren Hengtong Printing Machinery Operation and Sale Company Limited	2,492,820.51	2,687,451.86
	<u>74,697,538.46</u>	<u>64,895,055.18</u>

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

	For the six months ended 30.6.2004 (Accumulated) <i>Rmb</i>	For the six months ended 30.6.2003 (Accumulated) <i>Rmb</i>
<b>Revenue from sales of printing machines</b>		
– Beiren Group Corporation	4,158,119.67	5,633,000.00
– Beijing Monigraf Automatic Systems Company Limited	—	886,108.41
	<u>4,158,119.67</u>	<u>6,519,108.41</u>
	<b>For the six months ended 30.6.2004 (Accumulated) <i>Rmb</i></b>	<b>For the six months ended 30.6.2003 (Accumulated) <i>Rmb</i></b>
<b>Purchase</b>		
Expenditure of purchases of materials		
– Beijing Yan Long Import and Export Company	4,005,0982.91	676,574.65
– Beiren Group Corporation	—	4,829,405.04
– Beiren Tai He Printing and Casting Factory	—	8,027,405.04
– Beijing Beiyong Moulding Company Limited	19,704,367.36	3,844,988.90
– Beijing Monigraf Automatic Systems Company Limited	—	1,018,867.92
	<u>23,710,350.27</u>	<u>18,397,233.10</u>

Prices of goods sold to the above related parties 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 2004, the Company's receivables of removal compensation from Beiren Group Corporation amounted to Rmb29,980,275.11.

**(c) Guarantee**

As at 30 June 2004, Beiren Group Corporation provided a guarantee of Rmb36,000,000.00 for the short term loan of its subsidiary Beijing Beiren Fuji Printing Machinery Company Limited.

# 2004 Interim Report

(d) Others

	For the six months ended 30.6.2004 (Accumulated) Rmb	For the six months ended 30.6.2003 (Accumulated) Rmb
Sales commission paid		
– Xian Beiren Beifu Printing Machinery Operation and Sale Company Limited	—	178,180.00
– Hubei Beiren Printing Machinery Operation and Sale Company Limited	—	34,330.00
– Beijing Beiren Hengong Printing Machinery Operation and Sale Company Limited	—	741,364.10
– Liaoning Beiren Printing Machinery Operation and Sale Company Limited	—	118,337.35
– Guangzhou Beiren Hengong Printing Machinery Operation and Sale Company Limited	—	387,950.00
	<u>—</u>	<u>1,460,161.45</u>
Trademark fee paid (Note 1)		
– Beiren Group Corporation	<u>3,535,121.13</u>	<u>3,172,004.17</u>
Rental income		
– Beijing Monigraf Automatic Systems Company Limited (Note 2)	<u>50,000.00</u>	<u>50,000.00</u>
– Beijing Beiyong Moulding Company Limited (Note 3)	<u>1,265,503.38</u>	<u>687,949.05</u>
	<u>1,315,503.38</u>	<u>737,949.05</u>

**Note 1:** 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 2:** The Company signed a plant leasing agreement, pursuant to which the Company leased a plant originally valued at Rmb1,229,794.51 to Beijing Monigraf Automatic Systems Company Limited ("Monigraf") for a term of 3 years with effect from December 2001, for a rent of Rmb100,000.00 per year.

**Note 3:** The Company signed an asset leasing agreement with Beijing Beiyong Casting Company Limited ("Beiyong") in the year. Pursuant to which, the Company leased a fixed asset originally valued at Rmb43,466,666.97 to Beiyong for a term of three years with effect from 1 May 2003. As of 30 June 2004, the net value of the above mentioned fixed asset amounted to Rmb38,214,879.38. The rental is no less than the annual depreciation value of the above mentioned asset.

(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	3,379,680.00	3,642,880.00
	Xian Beiren Beifu Printing Machinery Operation and Sale Company Limited	4,102,000.00	6,208,030.00
	Liaoning Beiren Printing Machinery Operation and Sale Company Limited	2,996,800.00	3,684,700.00
	Beijing Beiren Henglong Printing Machinery Operation and Sale Company Limited	7,694,030.00	242,030.00
	Beiren Group Corporation	864,800.00	1,645,425.00
	Ningxia Beiren Xinhua Printing Joint Stock Company Limited Region	—	1,077,000.00
	Beiren Yan Long Import and Export Company	—	3,700,000.00
	Guangzhou Beiren Hengong Printing Machinery Operation and Sale Company Limited	—	2,556,909.14
		<u>19,037,310.00</u>	<u>22,756,974.14</u>
Bills receivable	Hubei Beiren Printing Machinery Operation and Sale Company Limited	1,500,000.00	—
	Guangzhou Beiren Hengong Printing Machinery Operation and Sale Company Limited	—	335,000.00
		<u>1,500,000.00</u>	<u>335,000.00</u>
Others receivable	Beiren Group Corporation	29,980,275.11	28,407,092.58
	Beiren Tai He Printing and Casting Factory	2,864,115.74	2,864,115.70
	Beijing Beiren Printing Machinery Accessories Factory	6,229,521.83	6,130,594.03
		<u>39,073,912.68</u>	<u>37,401,802.31</u>
Prepayment	Beiren Group Corporation	390,000.00	600,000.00
Receipts in advance	Liaoning Beiren Printing Machinery Operation and Sale Company Limited	143,000.00	—
Accounts payable	Beiren Group Corporation	2,682,732.70	1,981,875.28
	Beiren Yan Long Import and Export Company	881,651.38	881,651.38
	Beijing Beiyong Moulding Company Limited	1,150,640.04	176,488.18
	Beijing Monigraf Automatic Systems Company Limited	167,856.53	—
		<u>4,882,880.65</u>	<u>3,040,014.84</u>
Accounts payable	Beiren Group Corporation	57,266,627.28	57,266,627.28
	Beijing Beiyong Moulding Company Limited	54,249,833.00	20,000,000.00
		<u>111,516,460.28</u>	<u>77,266,627.28</u>

The above mentioned amounts have no fixed repayment schedule, and are free of interest, pledge or guarantee.

**46. CONTINGENT EVENTS**

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

**47. COMMITMENTS****(1) Capital commitments**

	Closing balance Rmb '000	Opening balance Rmb '000
Contracted but not executed for purchase of assets	12,177	15,977

**(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	647	317
In the second year after the balance sheet date	314	152
In the third year after the balance sheet date	288	100
Subsequent years	1,746	542
Total	2,995	1,111

**48. NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY****(1) Bills receivable**

	Closing balance Rmb	Opening balance Rmb
Banker's acceptance	18,398,000.00	1,735,000.00

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:

	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	199,430,847.22	82.69	—	199,430,847.22	158,236,469.42	78.70	—	158,236,469.42
1-2 years	15,803,465.00	6.55	4,472,659.50	11,330,805.50	14,009,619.45	6.97	3,832,516.98	10,177,102.47
2-3 years	14,481,929.92	6.00	7,920,017.95	6,561,911.97	16,161,840.43	8.04	8,778,254.57	7,383,585.86
More than 3 years	11,473,897.16	4.76	4,423,143.54	7,050,753.62	12,645,190.63	6.29	4,734,154.02	7,911,036.61
Total	241,190,139.30	100.00	16,815,820.99	224,374,318.31	201,053,119.93	100.00	17,344,925.57	183,708,194.36

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

Name of Shareholder	Closing balance Rmb	Opening balance Rmb
Beiren Group Corporation	864,800.00	1,295,800.00

**(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	36,718,841.70	49.38	—	36,718,841.70	41,017,565.05	41.37	—	41,017,565.05
More than 3 years	37,639,495.06	50.62	12,500,000.00	25,139,495.06	58,139,044.87	58.63	12,000,000.00	46,139,044.87
Total	74,358,336.76	100.00	12,500,000.00	61,858,336.76	99,156,609.92	100.00	12,000,000.00	87,156,609.92

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

Name of Shareholder	Closing balance Rmb	Opening balance Rmb
Beiren Group Corporation	29,980,275.11	28,407,092.58

Details of the balance of the removal compensation receivable from Beiren Group Corporation can be referred to note 45 (5)(b).

#### (4) Provision for bad debt

	Opening balance Rmb	Provision in the period Rmb	Transfer in the period Rmb	Closing balance Rmb
Account receivables	17,344,925.57	—	(529,104.58)	16,815,820.99
Other receivables	12,000,000.00	500,000.00	—	12,500,000.00
Total	<u>29,344,925.57</u>	<u>500,000.00</u>	<u>(529,104.58)</u>	<u>29,315,820.99</u>

#### (5) Prepayment

Aging analysis of prepayment is as follows:

	Closing balance		Opening balance	
	Rmb	%	Rmb	%
Within 1 year	<u>12,773,779.98</u>	<u>100.00</u>	<u>6,315,022.59</u>	<u>100.00</u>

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

#### (6) Inventories and provision for impairment in value of inventories

	Amount Rmb	Closing balance Provision for impairment in value Rmb	Net balance Rmb	Amount Rmb	Opening balance Provision for impairment in value Rmb	Net balance Rmb
Raw materials	30,698,077.60	764,589.52	29,933,488.08	34,521,395.41	764,589.52	33,756,805.89
Work in progress	132,583,777.53	10,468,746.85	122,415,030.68	114,138,678.56	7,289,687.02	106,848,991.54
Finished goods	252,716,421.79	26,645,639.40	226,070,782.39	204,541,083.02	26,843,366.91	177,697,716.11
Semi-finished goods	<u>17,936,907.56</u>	<u>—</u>	<u>17,936,907.56</u>	<u>35,436,859.58</u>	<u>—</u>	<u>35,436,859.58</u>
Total	<u>433,935,184.48</u>	<u>37,578,975.77</u>	<u>396,356,208.71</u>	<u>388,638,016.57</u>	<u>34,897,643.45</u>	<u>353,740,373.12</u>

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

	Opening balance Rmb	Provision in the period Rmb	Transfer in the period Rmb	Closing balance Rmb
Provision for the impairment in value of inventories				
Raw materials	764,589.52	—	—	764,589.52
Work in progress	7,289,687.02	2,879,059.83	—	10,168,746.85
Finished goods	26,843,366.91	1,772,718.39	(1,970,445.90)	26,645,639.40
Total	<u>34,897,643.45</u>	<u>4,651,778.22</u>	<u>(1,970,445.90)</u>	<u>37,578,975.77</u>

#### (7) Long term equity investment

	Closing balance Rmb'000	Opening balance Rmb'000
Investment in subsidiaries included in the scope of consolidation	186,956,781.90	142,926,771.54
Investment in subsidiaries not included in the scope of consolidation	4,076,649.54	3,669,396.44
Investment in associated companies	<u>6,658,198.37</u>	<u>11,864,524.22</u>
Total	<u>197,691,629.81</u>	<u>158,460,692.20</u>
Less: provision for impairment of long term equity investment	<u>(2,122,061.13)</u>	<u>(2,122,061.13)</u>
Long term equity investment, net	<u>195,569,568.68</u>	<u>156,338,631.07</u>

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

	Rmb
Opening balance	2,122,061.13
Addition in the year	—
Transfer in the year	—
Closing balance	<u>2,122,061.13</u>

Name of invested companies	Initial investment Rmb	Addition/Reduction in investment Rmb	Share of registered/equity holding %	Increase/decrease in equity interest in investee companies Rmb	Provision of equity investment Rmb	Accumulated increase/decrease Rmb	Provision for impairment (note) Rmb	Closing book value Rmb
Subsidiaries included in the scope of consolidation								
Beijing Beiren Fuji Printing Machinery Company Limited	29,632,699.26	—	70.00	1,808,152.56	562,934.17	9,918,016.95	—	39,550,716.21
Beijing Beiren Jing Yan Printing Machinery Factory	4,000,000.00	16,972,021.06	99.76	22,361.69	—	(2,698,310.62)	—	18,273,712.44
Hebei Beiren Gei Zhi Ji Chang	2,534,000.00	—	50.68	55,539.54	—	431,439.89	—	2,965,439.89
Haimen Beiren Fuji Printing Machinery Company Limited	14,848,000.00	8,331,680.34	59.62	(850,324.12)	—	(15,698,324.12)	—	7,481,356.22
Shenlite Limited	3.51	—	100.00	—	—	(3.51)	—	—
Beijing Beiren Yuxin Plastic Printing Company Limited	15,400,000.00	—	68.66	197,011.69	—	930,377.30	—	16,330,377.30
Shaanxi Beiren Printing Machinery Company Limited	84,180,000.00	14,788,505.71	86.24	2,143,767.89	—	2,426,387.83	—	101,394,893.54
Zhejiang Beiren Printing Machinery Operation and	825,000.00	—	55.00	(1,642.17)	—	135,286.30	—	960,286.30
	151,419,702.77	40,092,209.11		3,374,867.08	562,934.17	(4,555,129.98)	—	186,956,781.90
Subsidiaries not included in the scope of consolidation								
Beijing Tai He Printing and Casting Factory	2,500,000.00	—	62.50	—	—	(731,493.64)	(1,768,506.36)	—
Xian Beiren Beifu Printing Machinery Operation and Sale Company Limited	735,000.00	—	49.00	209,876.55	—	255,169.90	—	990,169.90
Hubei Beiren Printing Machinery Operation and Sale Company Limited	765,000.00	—	51.00	197,376.55	—	199,418.51	—	964,418.51
Beijing Beiren Printing Machinery Accessories Factory	1,892,913.00	—	94.65	—	—	(1,539,358.23)	(353,554.77)	—
	5,892,913.00	—		407,253.10	—	(1,816,263.46)	(2,122,061.13)	1,954,588.41
Associated companies								
Ningxia Beiren Xinhua Printing Joint Stock Company Limited	7,343,335.72	(5,483,272.59)	—	(64,678.22)	—	(1,860,036.13)	—	—
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	900,000.00	—	45.00	87,225.13	—	102,263.34	—	1,002,263.34
Guangzhou Beiren Hengtong Printing Machinery Operation and Sale Company Limited	450,000.00	—	30.00	26,738.53	—	(27,677.84)	—	422,322.16
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	343,000.00	—	49.00	(70,642.15)	—	(61,208.63)	—	281,791.37
Beijing Beiyang Moulding Company Limited	1,136,000.00	—	20.00	333,991.24	—	199,544.31	—	1,335,544.31
Beijing Montigraf Automatic Systems Company Limited	3,675,000.00	—	49.00	(35,687.79)	—	(58,722.81)	—	3,616,277.19
	13,847,335.72	(5,483,272.59)		276,946.74	—	(1,705,864.76)	—	6,658,198.37
Differences in long-term equity investment								
	171,159,951.49	34,608,936.52		4,059,066.92	562,934.17	(8,077,258.20)	(2,122,061.13)	197,380,871.14
Name of invested companies								
	Initial investment Rmb		Opening balance Rmb	Addition in the period Rmb		Amortization in the period Rmb		Balance of amortization Rmb
Beijing Beiren Jing Yan Printing Machinery Factory	27,976.94		—	27,976.94		(27,976.94)		—
Haimen Beiren Fuji Printing Machinery Company Limited	668,319.66		—	668,319.66		(668,319.66)		—
Shaanxi Beiren Printing Machinery Company Limited	211,494.29		—	211,494.29		(211,494.29)		—
	907,790.89		—	907,790.89		(907,790.89)		—

Note: Please refer to Note 5 (2), (4), (5) for details.

# (8) Revenue and cost of sales from major operations

	For the six months ended 30.6.2004 (Accumulated)		For the six months ended 30.6.2003 (Accumulated)	
	Revenue Rmb	Cost of sales Rmb	Revenue Rmb	Cost of sales Rmb
Local sales				
Sheet-fed offset printing machines	245,724,076.18	158,465,786.75	285,172,297.31	161,035,195.14
Web-fed offset printing machines	100,173,264.84	68,871,223.12	56,831,503.18	43,580,679.19
Pressing machines	136,752.14	291,024.36	978,632.48	1,561,267.03
Sales of spare part	2,657,423.92	2,535,472.95	6,449,875.82	6,033,261.67
Other	1,764,171.25	936,253.36	—	—
	<u>350,455,688.33</u>	<u>231,099,760.54</u>	<u>349,432,308.79</u>	<u>212,210,403.03</u>
Export sales				
Sheet-fed offset printing machines	682,639.44	287,778.12	—	—
Web-fed offset printing machines	12,115,610.40	5,138,119.84	5,648,723.41	4,188,175.00
Sale of spare parts	—	—	—	—
	<u>12,798,249.84</u>	<u>5,425,897.96</u>	<u>5,648,723.41</u>	<u>4,188,175.00</u>
Total	<u>363,253,938.17</u>	<u>236,525,658.50</u>	<u>335,081,032.20</u>	<u>216,398,578.03</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	4,059,066.92	4,538,036.61
Loss on provision for diminution in value of long term equity investment	—	(5,768,506.36)
Amortisation of difference in equity investment	(907,790.89)	(12,908.07)
Loss on disposal of long term equity investment	(1,129,723.12)	—
	<u>2,021,552.91</u>	<u>(1,243,377.82)</u>

## SUPPLEMENTARY INFORMATION

for the six months ended 30.6.24

### 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 Rmb59,000,000 for the six months ended 30 June 2004 and net assets of Rmb1,228,426,000 as at 30 June 2004 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		Owner's right	
	For the current period RMB'000	For the same period last year RMB'000	Closing balance RMB'000	Opening balance RMB'000
Prepared under PRC accounting standards	59,000	54,288	1,228,426	1,202,617
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	73	120	47,905	47,832
difference in valuation of capital contribution to subsidiaries	16	16	(336)	(352)
receipt of option payments recognized as income under PRC accounting standards	—	—	(24,209)	(24,209)
difference in impairment loss in value of other assets	—	4,000	13,333	13,333
difference in recognition of deferred tax	660	1,158	19,512	18,852
recognition of goodwill upon acquisition of a subsidiary	—	—	4,479	4,479
amortization of goodwill upon acquisition of a subsidiary	(224)	(224)	(1,120)	(896)
others	1,971	(526)	478	(924)
Prepared under Hong Kong accounting standards	<u>61,496</u>	<u>58,832</u>	<u>1,228,270</u>	<u>1,220,534</u>

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

Unit: RMB

Profit for the period	Returns on net assets (%)				Earnings per share (Rmb/share)			
	Fully diluted		Weighted average		Fully diluted		Weighted average	
	For the current period	For the same period last year (restated)	For the current period	For the same period last year (restated)	For the current period	For the same period last year (restated)	For the current period	For the same period last year (restated)
Profit from principal operations	13.54	12.92	13.50	13.02	0.39	0.36	0.39	0.36
Operating profit	6.02	5.59	6.00	5.63	0.18	0.16	0.18	0.16
Net profit	4.80	4.62	4.79	4.66	0.14	0.13	0.14	0.13
Net profit, net of extraordinary item	4.97	4.25	4.97	4.28	0.14	0.12	0.14	0.12

**3. Analysis of provision for diminution value as at 30 June 2004**

Item	1.1.2004		Additions during the period		Transfer during the period		30.6.2004	
	Group	Company	Group	Company	Group	Company	Group	Company
Provision for bad debts including:	35,348,639.14	29,344,925.57	1,244,199.14	500,000.00	(553,017.11)	(529,104.58)	36,039,821.17	29,315,820.99
Accounts receivable	24,653,669.29	17,344,925.57	—	—	(553,017.11)	(529,104.58)	24,099,652.18	16,815,820.99
Other receivables	10,695,969.85	12,000,000.00	1,244,199.14	500,000.00	—	—	11,940,168.99	12,500,000.00
Provision for diminution in value of inventories including:	37,527,659.84	34,897,643.45	5,065,363.23	4,651,778.22	(1,970,445.90)	(1,970,445.90)	40,622,577.17	37,578,945.77
Raw materials	1,527,821.48	764,589.52	—	—	—	—	1,527,821.48	764,589.52
Finished goods	29,149,692.93	26,843,366.91	2,186,303.40	1,772,718.39	(1,970,445.90)	(1,970,445.90)	29,365,550.43	26,654,639.40
Work in progress	6,850,145.43	7,289,687.02	2,879,059.83	2,879,059.83	—	—	9,729,205.26	10,168,746.85
Provision for diminution in value of long term investments including:	17,834,642.05	15,455,261.13	—	—	—	—	17,834,642.05	15,445,261.13
Long term equity investment	4,501,442.05	2,122,061.13	—	—	—	—	4,501,442.05	2,122,061.13
Long term investment in debt	13,333,200.00	13,333,200.00	—	—	—	—	13,333,200.00	13,333,200.00
Provision for diminution in value of fixed assets including:	31,491,953.58	24,991,953.58	941,853.28	941,853.28	—	—	32,433,806.86	25,933,806.86
Plant and machinery	24,991,953.58	24,991,953.58	941,853.28	941,853.28	—	—	25,933,806.86	25,933,806.86
Housing Construction	6,500,000.00	—	—	—	—	—	6,500,000.00	—
Provision for diminution in value of intangible assets	—	—	—	—	—	—	—	—
Provision for diminution in value of construction in progress	1,165,827.82	—	—	—	—	—	1,165,827.82	—
Total	123,368,722.43	104,689,783.73	7,251,415.65	6,093,631.50	(2,523,463.01)	(2,499,550.48)	128,096,675.07	108,283,864.75

**4. ANALYSIS OF ITEMS IN THE FINANCIAL STATEMENTS WITH CHANGES OF 30% OR ABOVE AND REPRESENTING 5% OR ABOVE OF TOTAL ASSETS AT THE BALANCE SHEET DATE OR 10% OR ABOVE OF THE TOTAL PROFIT FOR THE REPORTING PERIOD:**

- (1) Cash and bank balances increased by 15% as compared with the opening balance. The increased closing balance is mainly due to the good collection of sales receivables during the period.
- (2) Bills receivable increased by 296% as compared with the opening balance, mainly due to the increased proportion of sales revenue settled by way of bank acceptance.
- (3) Accounts receivable increased by 18% over the opening balance, mainly due to the increased number of large-size printing newspaper machinery based on credit sale during the period.
- (4) Prepayment increased by 58% over the opening balance, mainly due to the increase in prepaid amounts for purchase of materials and equipment.
- (5) Inventories increased by 10% as compared with the opening balance, mainly due to the increased production arrangement.
- (6) Deferred expenses increased by 41% as compared with the opening balance, mainly due to the monthly amortisation of the additional deferred expenses incurred during the period.
- (7) The cost of fixed assets and accumulated depreciation increased by 1% and 3% over the opening balance respectively, which are within the normal range.
- (8) Construction in progress increased by 58% over the opening balance, mainly due to the increase in remaining construction of new factories, technological renovation and the removal of Beiyang Casting during the period.
- (9) Short term loans increased by 45% as compared with the opening balance, mainly due to the additional working capital loans during the period.

## 2004 Interim Report

- (10) Bills payable increased by 209% as compared with the opening balance, mainly due to the additional buyer's discounted bills for relieving the demand for capital during the period.
- (11) Receipts in advance increased by 85% as compared with the opening balance, mainly due to the increased order amount received in advance during the period.
- (12) Taxes payable decreased by 36% from the opening balance, mainly due to the decrease in the outstanding amount of taxes payable.
- (13) Other payables decreased by 40% from the opening balance, mainly due to the decrease in the outstanding amount of other payables.
- (14) Dividends payable recorded an increase over the opening balance, mainly due to the transferal from "Cash dividend approved after balance sheet date" at the beginning of the period.
- (15) Retained profits increased by 77% over the opening balance, mainly due to the increased profits after taxation for the period.
- (16) Difference in translation of foreign currency statements decreased 293% from the opening balance, mainly due to changes in foreign exchange rates.
- (17) Turnover and cost of sales from principal operations increased by 14% and 16% respectively over the same period of last year, mainly due to the increased sales volume for the period.
- (18) Operating expenses increased by 27% as compared with the same period of last year, mainly due to both the increased sales revenue and more efforts in marketing during the period.
- (19) Administrative expenses increased by 1% as compared with the same period of last year, essentially unchanged during the period.
- (20) Other operating profit increased by 127% over the same period of last year, mainly due to a turnaround of other operations from loss in the previous year to the profit-making.
- (21) Investment income increased by 81.36% over the same period of last year, mainly because there was no material diminution in value of long term investment.
- (22) Non-operating income increased by 66% over the same period of last year, mainly due to an increase in the net income from disposal of fixed assets.
- (23) Non-operating expenses increased by 161% over the same period of last year, mainly due to an increase in the net loss from disposal of fixed assets.
- (24) Net operating cash flows decreased by 71.44% from the same period of last year, mainly due to the removal compensation amounting to Rmb100,000,000 prepaid by Beiren Group during the same period of last year.





## **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 2004.

**Deloitte Touche Tohmatsu**  
**Certified Public Accountants**  
Hong Kong, 29 July 2004

# 2004 Interim Report

## CONDENSED CONSOLIDATED INCOME STATEMENT

(prepared under accounting principles generally accepted in Hong Kong)  
FOR THE SIX MONTHS ENDED 30 JUNE 2004

		Six months ended	
	NOTES	30.6.2004 Rmb'000 (unaudited)	30.6.2003 Rmb'000 (unaudited)
Turnover		549,682	522,605
Cost of sales		(384,377)	(368,495)
Gross profit		165,305	154,110
Other operating income		9,408	2,536
Distribution costs		(25,837)	(20,493)
Administrative expenses		(71,405)	(58,885)
Profit from operations	3	77,471	77,268
Finance costs		(5,234)	(6,346)
Share of results of associates		573	156
Gain on disposal of an associate		721	—
Profit before taxation		73,531	71,078
Taxation	4	(10,503)	(9,747)
Profit after taxation		63,028	61,331
Minority interests		(1,532)	(2,499)
Net profit for the period		61,496	58,832
Earnings per share - Basic	6	Rmb14.57 fen	Rmb13.97 fen

**CONDENSED CONSOLIDATED BALANCE SHEET**

(prepared under accounting principles generally accepted in Hong Kong)  
AT 30 JUNE 2004

	NOTES	30.6.2004 Rmb'000 (unaudited)	31.12.2003 Rmb'000 (audited)
Non-current assets			
Property, plant and equipment	7	779,891	780,252
Construction in progress	8	115,982	73,115
Goodwill		3,359	3,583
Intangible assets		3,123	3,642
Interests in associates		7,025	10,212
Other assets		32,727	32,727
Deferred tax assets		19,672	19,313
		<b>961,779</b>	<b>922,844</b>
Current assets			
Inventories		580,236	526,965
Accounts receivable, prepayments and other receivables	9	354,732	308,029
Amounts due from associates		10,691	7,896
Bank balances and cash		168,296	144,018
		<b>1,113,955</b>	<b>986,908</b>
Current liabilities			
Accounts payable	10	184,217	173,500
Other payables		176,803	133,858
Sales deposits received		85,454	58,325
Amount due to ultimate holding company		32,898	29,968
Amount due to associates		1,461	20,176
Amounts due to minority shareholders of subsidiaries		242	2,673
Taxation payable		6,464	7,206
Provision for other taxes and levies		10,568	20,197
Option payments received		24,209	24,209
Dividend payable		33,760	—
Borrowings - due within one year	11	216,025	161,550
		<b>772,101</b>	<b>631,662</b>
Net current assets		<b>341,854</b>	<b>355,246</b>
		<b>1,303,633</b>	<b>1,278,090</b>
Capital and reserves			
Share capital	12	422,000	422,000
Reserves		806,270	778,534
		<b>1,228,270</b>	<b>1,200,534</b>
Minority interests		<b>47,038</b>	<b>45,486</b>
Non-current liabilities			
Borrowings - due after one year	11	28,325	31,400
Deferred tax liabilities		—	670
		<b>28,325</b>	<b>32,070</b>
		<b>1,303,633</b>	<b>1,278,090</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***(prepared under accounting principles generally accepted in Hong Kong)**FOR THE SIX MONTHS ENDED 30 JUNE 2004*

	Share capital <i>Rmb'000</i>	Share premium <i>Rmb'000</i>	Capital reserve <i>Rmb'000</i>	Statutory surplus reserve <i>Rmb'000</i>	Statutory public welfare fund <i>Rmb'000</i>	General reserve fund <i>Rmb'000</i>	Enterprise development fund <i>Rmb'000</i>	Discretionary surplus reserve <i>Rmb'000</i>	Retained profits <i>Rmb'000</i>	Dividend reserve <i>Rmb'000</i>	Total <i>Rmb'000</i>
(unaudited)											
At 1 January 2004	422,000	435,834	51,155	63,372	57,710	484	1,672	42,979	91,568	33,760	1,200,534
Net profit for the period	—	—	—	—	—	—	—	—	61,496	—	61,496
Appropriations	—	—	—	5,824	5,824	—	—	—	(11,648)	—	—
Dividend approved at Annual General Meeting	—	—	—	—	—	—	—	—	—	(33,760)	(33,760)
At 30 June 2004	<u>422,000</u>	<u>435,834</u>	<u>51,155</u>	<u>69,196</u>	<u>63,534</u>	<u>484</u>	<u>1,672</u>	<u>42,979</u>	<u>141,416</u>	<u>—</u>	<u>1,228,270</u>
(unaudited)											
At 1 January 2003	400,000	316,663	13,206	54,805	49,143	—	—	42,979	48,470	42,200	967,466
Issue of 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>—</u>	<u>2,482</u>	<u>42,979</u>	<u>93,313</u>	<u>—</u>	<u>1,163,011</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

*(prepared under accounting principles generally accepted in Hong Kong)*  
*FOR THE SIX MONTHS ENDED 30 JUNE 2004*

	<b>Six months ended</b>	
	<b>30.6.2004</b>	30.6.2003
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash from operating activities	<b>36,404</b>	119,690
Net cash used in investing activities	<b>(63,546)</b>	(21,723)
Net cash from (used in) financing activities	<b>51,420</b>	(3,178)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>24,278</b>	94,789
Cash and cash equivalents at 1 January	<b>144,018</b>	190,474
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<b>168,296</b>	285,263
	<hr/>	<hr/>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(prepared under accounting principles generally accepted in Hong Kong)  
FOR THE SIX MONTHS ENDED 30 JUNE 2004

### 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 No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

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 2003.

### 2. SEGMENT INFORMATION

All of the Group's revenue and results are substantially 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.

### 3. PROFIT FROM OPERATIONS

	Six months ended	
	30.6.2004	30.6.2003
	Rmb'000	Rmb'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation	23,022	22,815
Provision for impairment in value of buildings, machinery and equipment	942	613
Interest income	(875)	(1,030)

### 4. TAXATION

	Six months ended	
	30.6.2004	30.6.2003
	Rmb'000	Rmb'000
Provision for PRC enterprise income tax		
The Group	11,371	10,938
Associates	161	31
Deferred tax credit	(1,029)	(1,222)
	<u>10,503</u>	<u>9,747</u>

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

Final dividend for 2003 of RMB33,760,000 was approved by the shareholders in the annual general meeting held on 24 May 2004. The directors do not recommend the payment of any interim dividend.

### 6. EARNINGS PER SHARE

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

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

During the period, the Group spent approximately Rmb4.6 million (2003: Rmb5.6 million) on the acquisition of property, plant and equipment and approximately Rmb21.7 million (2003: Rmb12.4 million) of property, plant and equipment were transferred from construction in progress.

**8. CONSTRUCTION IN PROGRESS**

During the period, the Group spent approximately Rmb64.6 million (2003: Rmb82.7 million) on construction of its buildings, plant and machinery and others.

**9. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES**

At 30 June 2004, the balance of accounts receivable, prepayments and other receivables included accounts receivable of Rmb307,365,000 (31.12.2003: Rmb238,922,000). Customers are normally given a credit period of 90 - 180 days.

<b>30.6.2004</b>	31.12.2003
<i>Rmb'000</i>	<i>Rmb'000</i>

The aged analysis of accounts receivable is as follows:

Within one year	<b>254,646</b>	202,888
Over one year, but not exceeding two years	<b>24,721</b>	27,421
Over two years, but not exceeding three years	<b>18,588</b>	5,633
Over three years	<b>9,410</b>	2,980
	<hr/>	<hr/>
	<b>307,365</b>	238,922
	<hr/>	<hr/>

**10. ACCOUNTS PAYABLE**

<b>30.6.2004</b>	31.12.2003
<i>Rmb'000</i>	<i>Rmb'000</i>

The aged analysis of accounts payable is as follows:

Within one year	<b>177,073</b>	147,424
Over one year, but not exceeding two years	<b>2,524</b>	20,681
Over two years, but not exceeding three years	<b>1,667</b>	2,853
Over three years	<b>2,953</b>	2,542
	<hr/>	<hr/>
	<b>184,217</b>	173,500
	<hr/>	<hr/>

**11. BORROWINGS**

The Group borrowed bank loans amounting to Rmb244 million (2003: Rmb16 million), and repaid Rmb193 million (2003: Rmb70 million) during the period.

**12. SHARE CAPITAL**

**Amount**  
*Rmb'000*

Registered, issued and fully paid:

At 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
	<hr/>
	400,000
Issue of 22,000,000 ordinary A shares of Rmb1 each at 8 January 2003	22,000
	<hr/>
At 31 December 2003 and 30 June 2004	422,000
	<hr/>

**13. CAPITAL COMMITMENTS**

As at 30 June 2004, the Group had the following capital commitments:

<b>30.6.2004</b>	31.12.2003
<i>Rmb'000</i>	<i>Rmb'000</i>

Contracted but not provided for the purchase of property, plant and equipment	<b>12,277</b>	15,977
	<hr/>	<hr/>

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

	Net profit		Net assets as at	
	for the six months ended	30.6.2003	30.6.2004	31.12.2003
	30.6.2004	30.6.2003	30.6.2004	31.12.2003
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
As reported under PRC accounting standards	59,000	54,288	1,228,426	1,202,617
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	73	120	47,905	47,832
- difference in valuation of capital contribution to subsidiaries	16	16	(336)	(352)
- receipt of option payments recognised as income under PRC accounting standards	—	—	(24,209)	(24,209)
- difference in impairment loss in value of other assets	—	4,000	13,333	13,333
- difference in recognition of deferred tax	660	1,158	19,512	18,852
- recognition of goodwill upon acquisition of a subsidiary	—	—	4,479	4,479
- amortisation of goodwill upon acquisition of a subsidiary	(224)	(224)	(1,120)	(896)
- others	1,971	(526)	478	(924)
	<u>61,496</u>	<u>58,832</u>	<u>1,228,270</u>	<u>1,200,534</u>
As reported under Hong Kong accounting standards				



## 15. RELATED PARTY TRANSACTIONS

During the period, the transactions between the Group and related parties were as follows:

	Six months ended	
	30.6.2004	30.6.2003
	Rmb'000	Rmb'000
Sales of goods, net of sales returns		
- Beijing Beiren Hengtong Printing Machinery Sales Limited (an associate)	37,403	22,051
- Liaoning Beiren Printing Machinery Sales Limited (an associate)	10,202	6,321
- Guangzhou Beiren Hengtong Printing Machinery Limited (an associate)	2,493	2,687
- Beijing Yan Long Import and Export Co., Ltd. (a subsidiary of BGC)	(1,923)	3,700
Sale of materials to		
- BGC (ultimate holding company)	4,158	5,633
- Beiren Monigraf Automations Co., Ltd. (an associate)	—	886
Purchase of materials from		
- Beijing Yan Long Import and Export Co., Ltd. (a subsidiary of BGC)	4,006	—
- BGC (ultimate holding company)	—	4,829
- Beijing Beiyong Moulding Company Limited (an associate)	19,704	—
- Beiren Monigraf Automations Co., Ltd. (an associate)	—	3,260
Sale commission paid to		
- Beijing Beiren Hengtong Printing Machinery Sales Limited (an associate)	—	741
- Liaoning Beiren Printing Machinery Sales Limited (an associate)	—	108
- Guangzhou Beiren Hengtong Printing Machinery Limited (an associate)	—	388
Payment of land use right to		
- BGC (ultimate holding company)	—	355
Trademark fee paid to		
- BGC (ultimate holding company)	3,535	3,172
Rental income received from		
- Beiren Monigraf Automations Co., Ltd. (an associate)	50	50
- Beijing Beiyong Moulding Company Limited (an associate)	1,266	—

The pricing policies adopted for the above transactions are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2003.