

VII. FINANCIAL STATEMENTS (UNAUDITED)

BALANCE SHEET

(prepared under PRC accounting standards)
As at 30 June 2005

Assets	Notes	Group		Company	
		30.6.2005 (unaudited) RMB	31.12.2004 RMB	30.6.2005 (unaudited) RMB	31.12.2004 RMB
Current assets					
Cash and bank balances	6	117,320,483.29	156,232,523.73	59,634,307.71	76,383,878.07
Bills receivable	7	12,943,650.21	11,593,900.00	3,858,123.21	10,501,200.00
Dividends receivable		—	—	—	89,770.16
Accounts receivable	8	376,279,015.22	317,310,165.86	305,765,606.92	252,298,235.66
Other receivables	9	27,285,866.07	25,468,426.23	20,499,861.70	20,054,834.21
Prepayment	11	20,043,762.77	14,791,221.43	12,752,758.72	6,495,905.76
Inventories	12	678,784,465.10	623,800,863.75	494,268,799.49	447,627,249.25
Deferred expenses		863,918.63	709,241.49	—	21,854.00
Total current assets		1,233,521,161.29	1,149,906,342.49	896,779,457.75	813,472,927.11
Long term investment					
Long term equity investment	13	11,146,887.86	9,986,372.57	196,459,363.85	195,768,000.00
Long term investment in debts	14	14,891,800.00	14,891,800.00	14,891,800.00	14,891,800.00
Total long term investment		26,038,687.86	24,878,172.57	211,351,163.85	210,659,800.00
Fixed assets					
Fixed assets, at cost	15	1,248,863,497.57	1,248,408,091.50	951,095,163.65	949,381,909.01
Less: accumulated depreciation	15	472,888,841.67	459,247,618.89	313,278,095.24	303,222,853.69
Fixed assets, net book value		775,974,655.90	789,160,472.61	637,817,068.41	646,159,055.32
Less: Provision for diminution in value of fixed assets	15	31,892,008.97	32,317,699.59	25,392,008.97	25,817,699.59
Fixed assets, net		744,082,646.93	756,842,773.02	612,425,059.44	620,341,355.73
Construction in progress	16	61,536,521.28	47,773,944.51	48,632,356.82	35,129,922.00
Total fixed assets		805,619,168.21	804,616,717.53	661,057,416.26	655,471,277.73
Intangible assets and other assets					
Intangible assets	17	26,984,608.19	27,723,156.37	20,741,441.57	20,969,042.75
Long term deferred expenses	18	12,258,176.10	12,297,566.10	12,227,291.10	12,260,291.10
Total intangible assets and other assets		39,242,784.29	40,020,722.47	32,968,732.67	33,229,333.85
Total assets		2,104,421,801.65	2,019,421,955.06	1,802,156,770.53	1,712,833,338.69

2005 Interim Report

BALANCE SHEET (CONTINUED)

(prepared under PRC accounting standards)

As at 30 June 2005

Liabilities and shareholders' equity	Notes	Group		Company	
		30.6.2005 (unaudited) RMB	31.12.2004 RMB	30.6.2005 (unaudited) RMB	31.12.2004 RMB
Current liabilities					
Short term loans	19	239,534,833.28	192,487,000.00	170,984,833.28	130,387,000.00
Bills payable	20	63,315,441.20	24,396,180.84	52,065,441.20	19,846,180.84
Accounts payable	21	225,345,469.29	226,386,353.43	157,348,839.91	151,879,047.38
Receipts in advance	22	31,123,840.74	34,194,560.94	7,545,837.49	7,825,465.78
Wages payable		2,837,050.01	2,980,600.01	26,950.00	—
Staff welfare		23,672,670.19	25,168,531.53	17,125,833.16	17,719,938.73
Taxes payable	23	17,550,236.49	35,831,570.88	11,332,576.10	26,370,182.51
Sundry payable	24	448,976.55	750,456.49	173,641.82	511,572.22
Other payable	25	83,912,402.60	92,624,973.11	57,481,000.35	65,828,043.91
Expected liabilities	26	22,183,713.00	22,183,713.00	22,183,713.00	22,183,713.00
Accruals		3,462,189.86	3,816,314.64	2,790,845.29	3,591,809.55
Dividend payable	27	33,760,000.00	—	33,760,000.00	—
Long term liabilities payable within one year	28	37,550,000.00	40,550,000.00	—	—
Total current liabilities		784,696,823.21	701,370,254.87	532,819,511.60	446,142,953.92
Long term liabilities					
Long term loans	29	7,000,000.00	7,000,000.00	—	—
Total long term liabilities		7,000,000.00	7,000,000.00	—	—
Deferred tax					
Deferred tax credit	30	242,941.38	242,941.38	242,941.38	242,941.38
Total liabilities		791,939,764.59	708,613,196.25	533,062,452.98	446,385,895.30
Minority interests		45,185,926.95	45,386,426.94	—	—
Shareholders' fund					
Share capital	31	422,000,000.00	422,000,000.00	422,000,000.00	422,000,000.00
Capital reserve	32	520,864,095.43	520,864,095.43	520,864,095.43	520,864,095.43
Surplus reserve	33	194,881,850.29	187,600,475.45	189,927,406.01	182,646,031.17
Including: statutory public welfare fund	33	70,854,655.77	67,213,968.35	70,647,673.63	67,006,986.21
Retained profit	35	129,539,603.86	101,184,772.52	136,302,816.11	107,177,316.79
Cash dividend approved after the balance sheet date	34	—	33,760,000.00	—	33,760,000.00
Translation differences in foreign exchange statement		10,560.53	12,988.47	—	—
Total shareholders' equity		1,267,296,110.11	1,265,422,331.87	1,269,094,317.55	1,266,447,443.39
Total liabilities and shareholders' equity		2,104,421,801.65	2,019,421,955.06	1,802,156,770.53	1,712,833,338.69

The notes form an integral part of the financial statements.

PROFIT AND LOSS ACCOUNT AND PROFITS DISTRIBUTION

(prepared under PRC accounting standards)

For the period from 1 January 2005 to 30 June 2005

		Group		Company	
		Six months ended 30.6.2005 (Accumulated) (Unaudited) RMB	Six months ended 30.6.2004 (Accumulated) (Unaudited) RMB	Six months ended 30.6.2005 (Accumulated) (Unaudited) RMB	Six months ended 30.6.2004 (Accumulated) (Unaudited) RMB
	Notes				
Income from major operations	36	487,242,586.29	524,784,873.03	358,252,745.90	363,253,938.17
Less: main operating cost	36	351,487,932.54	355,220,138.19	253,967,931.51	236,525,658.50
main operation tax and surcharge	37	2,532,410.70	3,277,664.82	1,738,713.55	2,711,579.41
Profit from major operations		133,222,243.05	166,287,070.02	102,546,100.84	124,016,700.26
Add: profit from other operations		1,384,916.63	(147,389.17)	1,187,440.87	2,183,347.61
Less: operation expenses		19,739,250.41	25,036,058.46	11,735,495.42	14,748,825.94
administrative expenses		68,141,912.76	62,417,416.22	45,769,422.28	41,109,677.01
financial expenses	38	5,976,759.30	4,706,970.54	3,504,727.87	2,041,415.48
Operating profit		40,749,237.21	73,979,235.63	42,723,896.14	68,300,129.44
Add: investment income					
(less: loss)	39	1,614,915.29	(1,117,818.42)	1,145,763.85	2,021,552.91
non-operating income	40	1,252,996.32	2,272,690.70	339,261.99	1,920,528.28
Less: non-operating expenses	41	530,623.19	3,428,252.63	386,330.68	3,375,517.71
Total profits		43,086,525.63	71,705,855.28	43,822,591.30	68,866,692.92
Less: income tax	42	7,650,819.44	11,384,197.79	7,415,717.14	10,623,245.00
minority interests		(200,499.99)	1,321,912.59	—	—
Net profit for the period		35,636,206.18	58,999,744.90	36,406,874.16	58,243,447.92
Add: retained profits at the beginning of the period	35	101,184,772.52	60,699,762.90	107,177,316.79	64,378,254.93
Distributable profits		136,820,978.70	119,699,507.80	143,584,190.95	122,621,702.85
Less: transfer to statutory surplus reserve	35	3,640,687.42	5,824,344.79	3,640,687.42	5,824,344.79
transfer to statutory public welfare fund	35	3,640,687.42	5,824,344.79	3,640,687.42	5,824,344.79
Profits distributable to shareholders		129,539,603.86	108,050,818.22	136,302,816.11	110,973,013.27
Less: cash dividend approved after the balance sheet date		—	—	—	—
Retained profits carried forward		129,539,603.86	108,050,818.22	136,302,816.11	110,973,013.27

SUPPLEMENTARY INFORMATION

	Group		Company	
	Six months ended 30.6.2005 (Accumulated) (Unaudited) RMB	Six months ended 30.6.2004 (Accumulated) (Unaudited) RMB	Six months ended 30.6.2005 (Accumulated) (Unaudited) RMB	Six months ended 30.6.2004 (Accumulated) (Unaudited) RMB
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	—	—	—	—
Others	—	—	—	—

The notes form an integral part of the financial statements.

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CASH FLOW STATEMENT

(prepared under PRC accounting standards)

For the period from 1 January 2005 to 30 June 2005

	Group		Company	
	Six months ended 30.6.2005 (Accumulated) (Unaudited) RMB	Six months ended 30.6.2004 (Accumulated) (Unaudited) RMB	Six months ended 30.6.2005 (Accumulated) (Unaudited) RMB	Six months ended 30.6.2004 (Accumulated) (Unaudited) RMB
	Note			
Cash flow from operating activities				
Cash received from sales of goods or rendering of services		589,457,013.49	390,857,353.67	393,396,349.27
Other cash received relating to operating activities		40,439,876.11	2,493,088.81	65,342,888.34
Sub-total of cash inflows		629,896,889.60	393,350,442.48	458,739,237.61
Cash paid for goods and services		381,152,379.52	258,374,878.03	236,942,940.09
Cash paid to and on behalf of employees		65,908,901.56	50,643,226.53	43,762,543.95
Taxes and surcharges paid		58,535,033.46	40,602,319.32	45,297,026.08
Other cash paid relating to operating activities	44	85,008,268.18	58,187,644.21	77,906,208.35
Sub-total of cash outflows		590,604,582.72	407,808,068.09	403,908,718.47
Net cash flows from operating activities		39,292,306.88	(14,457,625.61)	54,830,519.14
Cash flow from investing activities				
Cash received from investment income		—	544,170.16	—
Net cash received from disposal of fixed assets, intangible assets and other long term assets		1,326,855.42	529,230.07	801,497.81
Sub-total of cash inflows		1,326,855.42	1,073,400.23	801,497.81
Cash paid to acquire fixed assets, intangible assets and other long term assets		65,947,455.61	27,606,766.80	46,993,356.95
Cash paid for equity investment		—	—	41,000,000.00
Sub-total of cash outflows		65,947,455.61	27,606,766.80	87,993,356.95
Net cash flows from investing activities		(64,620,600.19)	(26,533,366.57)	(87,191,859.14)
Cash flows from financing activities				
Cash received from loans		244,500,000.00	110,000,400.00	179,000,000.00
Sub-total of cash inflows		244,500,000.00	110,000,400.00	179,000,000.00
Cash repayments of debentures		193,100,000.00	82,127,400.00	143,000,000.00
Cash payments for distribution of dividends of profits and payment of interest expenses		5,184,488.36	3,631,891.72	2,537,835.03
Other cash paid relating to financing activities		—	—	—
Sub-total of cash outflows		198,284,488.36	85,759,291.72	145,537,835.03
Net cash flows from financing activities		46,215,511.64	24,241,108.28	33,462,164.97
Effect of changes in foreign exchange rate on cash		(70,624.14)	313.54	(35,433.19)
Net increase (decrease) in cash and cash equivalents		20,816,594.19	(16,749,570.36)	1,065,391.78

CASH FLOW STATEMENT (CONTINUED)

(prepared under PRC accounting standards)
For the period from 1 January 2005 to 30 June 2005

SUPPLEMENTARY INFORMATION

	Group		Company	
	Six months ended 30.6.2005 (Accumulated) (Unaudited) RMB	Six months ended 30.6.2004 (Accumulated) (Unaudited) RMB	Six months ended 30.6.2005 (Accumulated) (Unaudited) RMB	Six months ended 30.6.2004 (Accumulated) (Unaudited) RMB
<i>Notes</i>				
Reconciliation of profit after taxation to cash flow from operating activities				
Net profit	35,636,206.18	58,999,744.90	36,406,874.16	58,243,447.92
Add: Provision for diminution in assets value	7,780,600.97	4,727,952.64	4,700,599.13	3,594,081.02
Depreciation of fixed assets	24,377,109.38	22,279,196.31	16,770,784.00	16,201,039.53
Amortisation of intangible assets	838,548.18	2,249,071.54	227,601.18	227,601.18
Amortisation of deferred expenses	39,390.00	124,419.60	33,000.00	73,000.00
Decrease in deferred expenses (less: increase)	(154,677.14)	(263,806.90)	21,854.00	(80,620.00)
Increase in accruals (less: decrease)	(354,124.78)	77,901.05	(800,964.26)	—
Loss on disposal of fixed assets, intangible assets and other long term assets (less: gains)	(628,454.26)	364,813.18	587,037.31	550,513.35
Finance expenses	6,051,161.36	5,184,488.36	3,631,891.72	2,537,835.03
Investment loss (less: gains)	(1,614,915.29)	1,117,818.42	(1,145,763.85)	(2,021,552.91)
Loss on minority interests (less: gains)	(200,499.99)	1,321,912.59	—	—
Decrease in inventories (less: increase)	(57,004,660.71)	(56,395,338.95)	(48,662,609.60)	(45,297,167.91)
Decrease in operating receivables (less: increase)	(73,573,812.98)	(83,898,852.30)	(56,631,405.31)	(38,460,503.60)
Increase in operating payables (less: decrease)	10,559,403.77	83,402,986.44	30,403,475.91	59,262,845.53
Net cash flows from operating activities	(48,248,725.31)	39,292,306.88	(14,457,625.61)	54,830,519.14
Net increase (decrease) in cash and cash equivalents				
Cash and bank balance at the end of the period	43 103,620,483.29	163,499,114.45	59,634,307.71	107,653,911.70
Less: Cash and bank balance at the beginning of the period	156,232,523.73	142,682,520.26	76,383,878.07	106,588,519.92
Increase (decrease) in cash and cash equivalents	(52,612,040.44)	20,816,594.19	(16,749,570.36)	1,065,391.78

The notes form an integral part of the financial statements.

2005 Interim Report

NOTES TO THE FINANCIAL STATEMENTS

(prepared under PRC accounting standards)
For the period from 1 January 2005 to 30 June 2005

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".

Basis of accounting and valuation

It is in accordance with the accrual concept and valuation is based on historical cost.

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.

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 held for a short term. 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 less 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.

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.

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.

Leases

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

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 period 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 as at the end of their period. 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.

When each ratio of total assets, sales revenue and net profit for the period of a subsidiary falls below 10% based on the asset test, sales revenue test and profit test set out in the "Reply letter in relation to the submission of the scope of consolidation for consolidated financial statements" [Cai Kuai Er Zi (1996) No. 2], the subsidiary is excluded from the scope of consolidation pursuant to the principle of importance. For those subsidiaries not included in the scope of consolidation, equity method is adopted for accounting in the consolidated financial statements.

(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 2005. 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 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.

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4. TAXATION

Value added tax

It is charged at 17% 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 5-7% of the assessable amount of value-added tax and business tax.

5. SCOPE OF CONSOLIDATION, PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

As at 30 June 2005, 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 period
Beijing Beiren Fuji Printing Company Limited	Chao Yang District, Beijing	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 Xi'an, Beijing	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 1)	RMB 4,000,000.00	62.50	Manufacturing of casting parts for printing machinery	Collectively owned	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 company	Yes
Haimen Beiren Printing Machinery Company Limited	Hai Men, Jiangsu Province	RMB40,000,000.00	77.74	Manufacturing of printing machines and related accessories	Limited company	Yes
Sheenlite Limited	Hong Kong	HK\$3.00	100.00	Provision of Hong Kong representative office and asset custodial service to the Group	Limited company	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 company	Yes
Shaanxi Beiren Printing Machinery Company Limited	Wei Nan, Shaanxi Province	RMB115,000,000.00	86.24	Manufacturing, sales and maintenance of printing machines, compound machines, packaging machines, engineering machines, electromechanical machines and parts	Limited company	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 company	Yes
Hubei Beiren Printing Machinery Operating and Sale Company Limited	Wuhan, Hubei Province (note 2)	RMB1,500,000.00	51.00	Sale, installation and testing of printing machines and related accessories and provision of technical consultancy services	Limited company	No

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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 period
Xi'an Beiren Xi'an, Beifu Printing Operating and Sale Company Limited	Xi'an Shaanxi Province (note 2)	RMB1,500,000.00	84.70	Sale, installation and testing of printing machines and related accessories and provision of technical	Limited company	No

Note:

- (1) In 2003, the Company commenced liquidation on Beijing Beiren Tai He Printing and Casting Factory ("Tai He Casting"). In accordance with the "The Provisional Requirement of Consolidated Accounting Statement", the financial statement of the subsidiary was not included into the consolidated financial statements. The Company adopts the equity method for consolidated financial statements to recognize its investment in the subsidiary. As at 30 June 2005, the liquidation for Tai He Casting was not yet finished.
- (2) 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 ("Hubei Beiren") and Xi'an Beiren Beifu Printing Operation and Sale Company Limited ("Xi'an Beiren Fuji"), subsidiaries of the Company, as computed based on the formulae set out in the document are less than 10%, therefore they are not included in the consolidated statements. Hubei Beiren recorded positive profits during the period, while Xi'an Beiren Fuji recorded a loss during the period. As the operating period of Xi'an Beiren Fuji has expired in 2005, the Company is planning to bring it into liquidation and write-off. As at 30 June 2005, the liquidation for Xi'an Beiren Beiren Fuji was not yet finished. Equity investments in these two subsidiaries are included in the consolidated financial statements by equity method.

Save as circumstances mentioned in notes (1) and (2), the above subsidiaries are included in consolidated statements. The consolidated financial statements for the period are consistent with that of the corresponding period last year in terms of the scope of consolidation.

As at 30 June 2005, the particulars of associated companies owned by the Company are as follows:

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 company
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 company
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 company

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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						
Foreign currency			218,263.14			62,708.92
- Japanese Yen	185,778.02	0.076367	14,187.31	157,011.00	0.079701	12,513.94
- Euro	8,889.15	10.073800	89,547.53	9,419.69	11.26270	106,091.14
- U.S. dollars	2,072.38	8.276500	17,152.04	32,558.19	8.276500	269,467.86
- Korea Won	98.42	0.806450	79.37	6,188.05	0.006881	42.58
- Sweden Krona	3,675.04	1.056300	3,881.94	—	1.248900	—
			<u>343,111.33</u>			<u>450,824.44</u>
Bank balances						
Renminbi						
Foreign currency			114,141,929.03			154,447,452.99
- Japanese Yen	443,670.83	0.076367	33,881.81	380,657.96	0.079701	30,338.82
- Hong Kong dollars	425,386.49	1.060900	451,292.53	1,078,989.59	1.063700	1,147,721.23
- U.S. dollars	283,968.90	8.276500	2,350,268.59	18,871.05	8.276500	156,186.25
			<u>116,977,371.96</u>			<u>155,781,699.29</u>
Total			<u>117,320,483.29</u>			<u>156,232,523.73</u>
Closing balance of the pledged time deposits (note)			<u>13,700,000.00</u>			<u>—</u>

Note: The closing balance of pledged time deposits represents the pledge placed by Shaanxi Beiren Printing Machinery Company Limited ("Shaanxi Printing", a subsidiary of the Company) in favour of China Agricultural Bank, Weinan Branch and Linwei Branch for issuing bank acceptance during the period.

7. BILLS RECEIVABLE

	Closing balance RMB	Opening balance RMB
Bank acceptance notes	<u>12,943,650.21</u>	<u>11,593,900.00</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			
	Amount RMB	Percentage (%)	Provision for bad debt RMB	Net amount RMB	Amount RMB	Percentage (%)	Provision for bad debt RMB	Net amount RMB
Within 1 year	325,778,547.25	79.49	325,000.00	325,453,547.25	280,627,874.86	80.76	1,169,947.46	279,457,927.40
1 year - 2 years	60,618,999.63	14.79	17,970,518.64	42,648,480.99	39,993,772.80	11.51	11,108,228.58	28,885,544.22
2 years - 3 years	13,900,082.89	3.39	5,938,857.25	7,961,225.64	13,489,415.34	3.88	4,909,067.47	8,580,347.87
Over 3 years	9,522,080.35	2.33	9,306,319.01	215,761.34	13,359,833.23	3.85	12,973,486.86	386,346.37
Total	<u>409,819,710.12</u>	<u>100.00</u>	<u>33,540,694.90</u>	<u>376,279,015.22</u>	<u>347,470,896.23</u>	<u>100.00</u>	<u>30,160,730.37</u>	<u>317,310,165.86</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>72,334,800.00</u>	<u>17.65</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>3,902,220.00</u>	<u>3,518,220.00</u>

9. OTHER RECEIVABLES

The aging of other receivables is analysed as follows:

	Closing balance				Opening balance			
	Amount RMB	Percentage (%)	Provision for bad debt RMB	Net amount RMB	Amount RMB	Percentage (%)	Provision for bad debt RMB	Net amount RMB
Within 1 year	19,158,423.42	48.76	81,801.01	19,076,622.41	16,829,457.57	48.26	739,501.48	16,089,956.09
1 year - 2 years	9,000,854.74	22.91	2,241,881.71	6,758,973.03	4,541,960.94	13.03	249,970.41	4,291,990.53
2 years - 3 years	1,382,576.24	3.52	934,001.15	448,575.09	736,572.50	2.11	658,340.98	78,231.52
Over 3 years	9,752,564.04	24.81	8,750,868.50	1,001,695.54	12,760,719.89	36.60	7,752,471.80	5,008,248.09
Total	<u>39,294,418.44</u>	<u>100.00</u>	<u>12,008,552.37</u>	<u>27,285,866.07</u>	<u>34,868,710.90</u>	<u>100.00</u>	<u>9,400,284.67</u>	<u>25,468,426.23</u>

The five largest other receivable are as follows:

Total amount of the five largest accounts receivable RMB	Percentage to the total value of the accounts receivables %
<u>22,844,011.91</u>	<u>58.14</u>

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 RMB	Opening balance RMB
Beiren Group Corporation	<u>62,294.80</u>	<u>326,642.68</u>

10. PROVISION FOR BAD DEBTS

	Opening balance RMB	Provision for the period RMB	Transfer during the period RMB	Closing balance RMB
Amounts receivable	30,160,730.37	3,526,964.53	(147,000.00)	33,540,694.90
Other receivables	9,400,284.67	2,658,267.70	(50,000.00)	12,008,552.37
Total	<u>39,561,015.04</u>	<u>6,185,232.23</u>	<u>(197,000.00)</u>	<u>45,549,247.27</u>

11. PREPAYMENT

The aging analysis of prepayment is as follows:

	Closing balance		Opening balance	
	RMB	%	RMB	%
Within 1 year	18,940,708.90	94.50	13,731,228.27	92.83
1 year - 2 years	328,156.03	1.64	815,851.20	5.52
2 year - 3 years	608,620.58	3.04	206,881.01	1.40
Over 3 years	166,277.26	0.82	37,260.95	0.25
Total	<u>20,043,762.77</u>	<u>100.00</u>	<u>14,791,221.43</u>	<u>100.00</u>

Prepayments aging over one year mainly represent the deposits for using power paid by the Company to the local power company or authorities.

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

	Closing balance RMB	Opening balance RMB
Beiren Group Corporation	<u>990,000.00</u>	<u>1,368,119.19</u>

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
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Raw materials	81,865,336.73	1,214,204.79	80,651,131.94	92,094,372.71	1,260,148.79	90,834,223.92
Work in progress	307,688,850.39	5,940,666.28	301,748,184.11	251,888,440.18	5,940,666.28	245,947,773.90
Finished goods	299,352,320.57	36,411,796.51	262,940,524.06	292,687,792.80	35,295,504.41	257,392,288.39
Semi-finished goods	31,595,216.92	—	31,595,216.92	28,966,590.44	—	28,966,590.44
Low value consumables	1,849,408.07	—	1,849,408.07	659,987.10	—	659,987.10
Total	<u>722,351,132.68</u>	<u>43,566,667.58</u>	<u>678,784,465.10</u>	<u>666,297,183.23</u>	<u>42,496,319.48</u>	<u>623,800,863.75</u>

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
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Provision for diminution in value of inventories				
Raw materials	1,260,148.79	—	(45,944.00)	1,214,204.79
Work in progress	5,940,666.28	—	—	5,940,666.28
Finished goods	35,295,504.41	2,021,059.36	(904,767.26)	36,411,796.51
Total	<u>42,496,319.48</u>	<u>2,021,059.36</u>	<u>(950,711.26)</u>	<u>43,566,667.58</u>

13. LONG TERM EQUITY INVESTMENTS

	Closing balance <i>RMB</i>	Opening balance <i>RMB</i>
Investment in subsidiaries not included in scope of consolidation	3,408,903.12	3,612,673.90
Investment in associated companies	9,506,491.10	8,142,205.03
Other equity investment	100,000.00	100,000.00
Total	<u>13,015,394.22</u>	<u>11,854,878.93</u>
Less: provision for diminution of long term equity investment	<u>(1,868,506.36)</u>	<u>(1,868,506.36)</u>
Long term equity investment, net	<u>11,146,887.86</u>	<u>9,986,372.57</u>

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

	<i>RMB</i>
Closing and Opening balance	<u>1,868,506.36</u>

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

Name of invested companies	Initial investment RMB	Increase / decrease in investment RMB	Share of registered equity holding (%)	Increase / decrease in equity interest in invested companies RMB	Dividend payable 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)	2,500,000.00	—	62.50	—	—	(731,493.64)	(1,768,506.36)	—
Xi'an Beiren Beifu Printing Machinery Operation	1,500,000.00	—	85.00	(264,481.06)	—	(756,256.55)	—	743,743.45
Hubei Beiren Printing Machinery Operation and Sale Company Limited	765,000.00	—	51.00	60,710.28	—	131,653.31	—	896,653.31
	<u>4,765,000.00</u>	<u>—</u>		<u>(203,770.78)</u>	<u>—</u>	<u>(1,356,096.88)</u>	<u>(1,768,506.36)</u>	<u>1,640,396.76</u>
Beijing Beiren Henglong Printing Machinery Operation and Sale Company Limited	900,000.00	—	45.00	(89,889.54)	—	(74,366.66)	—	825,633.34
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	343,000.00	—	49.00	29,408.41	—	198,946.53	—	541,946.53
Beijing Beiyang Casting Company Limited	1,136,000.00	—	20.00	457,306.84	(454,400.00)	1,019,910.78	—	2,155,910.78
Beijing Mongraf Automatic Systems Company	3,675,000.00	—	49.00	1,421,860.36	—	2,308,000.45	—	5,983,000.45
	<u>6,054,000.00</u>	<u>—</u>		<u>1,818,686.07</u>	<u>(454,400.00)</u>	<u>3,452,491.10</u>	<u>—</u>	<u>9,506,491.10</u>
	<u>10,819,000.00</u>	<u>—</u>		<u>1,614,915.29</u>	<u>(454,400.00)</u>	<u>2,096,394.22</u>	<u>(1,768,506.36)</u>	<u>11,146,887.86</u>

Note: In 2003, the Company commenced liquidation on Tai He Casting. As such, provision was made in full for diminution of long-term investment in Tai He Casting as the expected recoverability of receivables is highly uncertain.

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

	Closing balance RMB	Opening balance RMB
Ying Shen Associated Company (note)	50,000.00	50,000.00
Xi'an Printing Joint Development Company (note)	50,000.00	50,000.00
Total	<u>100,000.00</u>	<u>100,000.00</u>
less: provision for diminution of other equity investment	<u>(100,000.00)</u>	<u>(100,000.00)</u>
	<u>—</u>	<u>—</u>

Note: Investment to Ying Shen Associated Company and Xi'an Printing Joint Development Company amounted to RMB100,000.00 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.

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14. LONG TERM INVESTMENT IN DEBTS

	Closing balance RMB	Opening balance RMB
Long term investment in debts	32,727,000.00	32,727,000.00
Less: Provision for diminution in value of long term investment in debts	(17,835,200.00)	(17,835,200.00)
Long term investment in debts, net	<u>14,891,800.00</u>	<u>14,891,800.00</u>

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

	RMB
Opening and closing balance	<u>17,835,200.00</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 ("SEAIIDCL") in Macau in 1995. The amount is HK\$30,000,000.00 (equivalent to RMB32,727,000.00). Under the contract, SEAIIDCL is entitled to request the Company to give up acquiring the property in accordance with the performance of the contract, provided that SEAIIDCL 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.

On 1 February 2002, the Company and SEAIIDCL 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 SEAIIDCL in exchange for the title of the original properties. SEAIIDCL 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. As at 30 June 2005, the Company has not yet completed the procedures of preparing the title deed for the said properties.

From the end of the year 2001, in accordance with the requirement of "Accounting Regulations for Business Enterprises" and based on the asset valuation report issued by a professional valuation authority, the Company made a provision for diminution of long term investment based on the difference between the recoverable amount and the book value. As at 30 June 2005, the total value of provision for diminution of long term investment made by the Company amounted to RMB17,835,200.00.

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	617,835,884.42	546,649,753.37	62,753,878.86	21,168,574.85	1,248,408,091.50
Additions	19,041.30	460,240.00	382,916.41	654,925.23	1,517,122.94
Transfer from construction in progress	8,206,009.88	7,695,350.52	606,651.00	—	16,508,011.40
Reduction	—	(16,406,307.02)	(1,044,494.20)	(118,927.05)	(17,569,728.27)
At end of the period	<u>626,060,935.60</u>	<u>538,399,036.87</u>	<u>62,698,952.07</u>	<u>21,704,573.03</u>	<u>1,248,863,497.57</u>
Accumulated depreciation					
At beginning	98,627,552.82	304,990,782.60	43,054,660.60	12,574,622.87	459,247,618.89
Provision for the period	6,038,039.09	14,679,442.71	2,807,716.21	851,911.37	24,377,109.38
Reduction	—	(9,729,620.64)	(890,906.72)	(115,359.24)	(10,735,886.60)
At end of the year	<u>104,665,591.91</u>	<u>309,940,604.67</u>	<u>44,971,470.09</u>	<u>13,311,175.00</u>	<u>472,888,841.67</u>
Provision for diminution in value					
At beginning	6,500,000.00	25,817,699.59	—	—	32,317,699.59
Transfer for the period	—	(425,690.62)	—	—	(425,690.62)
At end of the period	<u>6,500,000.00</u>	<u>25,392,008.97</u>	<u>—</u>	<u>—</u>	<u>31,892,008.97</u>
Net book values					
At beginning	512,708,331.60	215,841,271.18	19,699,218.26	8,593,951.98	756,842,773.02
At end of the period	<u>514,895,343.69</u>	<u>203,066,423.23</u>	<u>17,727,481.98</u>	<u>8,393,398.03</u>	<u>744,082,646.93</u>
Including: net assets pledged at end of the year (note 1)	<u>12,148,337.67</u>	<u>15,280,537.56</u>	<u>—</u>	<u>—</u>	<u>27,428,875.23</u>
Assets leased out under operating leases at end of the year (note 2)	<u>51,756,529.54</u>	<u>10,893,743.17</u>	<u>172,064.14</u>	<u>—</u>	<u>62,822,336.85</u>

Note 1: The closing balance of assets under pledge covers a short term loan amounting to RMB23,600,000.00 (please refer to Note 19 (2) for details) granted to the Company's subsidiary, Shaanxi Printing from China Industrial and Commercial Bank (Weinan Branch) and a short term loan amounting to RMB8,000,000.00 granted to the Company's subsidiary company Haimen Beiren Fuji Printing Machinery Company Limited ("Haimen Beifu") as well as a short term loan amounting to RMB1,950,000.00 from Haimen City Credit Cooperative (please refer to Note 19 (2) for details).

Note 2: During the period, the Company respectively leased out certain fixed assets with cost as RMB75,408,400.23 and RMB1,229,794.51 to Beijing Beiyang Printing and Casting Company Limited ("Beiyang Casting") and Beijing Monigraf Automatic Control System Limited. As at 30 June 2005, the net book value of the above fixed assets amounted to RMB62,180,098.46 and RMB642,238.39. Details are set out in notes 3 and 4 of Note 46 (5)(d).

16. CONSTRUCTION IN PROGRESS

	Opening balance RMB	Addition in the period RMB	Transfer upon completion in the period RMB	Reduction arising from obsolescence in the period RMB	Closing balance RMB
Construction in progress	48,939,772.33	30,334,682.77	(16,508,011.40)	(64,094.60)	62,702,349.10
Less: provision for diminution in value	(1,165,827.82)	—	—	—	(1,165,827.82)
Construction in progress, net	47,773,944.51	30,334,682.77	(16,508,011.40)	(64,094.60)	61,536,521.28
Pledged net assets at the end of 2005 (note 3)					11,541,000.00

Project name	Budget Amount RMB	Opening balance RMB	Addition in the period RMB	Transfer upon completion in the period RMB	Reduction in obsolescence in the period RMB	Provision for diminution in value RMB (note 2)	Closing balance RMB	Source of funds	Progress
Equipment renovation	49,577,118.88	27,403,695.01	6,773,613.93	(4,382,950.52)	—	(1,165,827.82)	28,628,530.60	Internal resources	88%
Development of new plant site	22,509,049.51	10,507,674.81	3,397,171.84	(1,220,330.88)	(64,094.60)	—	12,620,421.17	Internal resources	97%
Workshop improvements	126,989,723.25	11,028,402.51	20,163,897.00	(10,904,730.00)	—	—	20,287,569.51	Internal resources	97%
	199,075,891.64	48,939,772.33	30,334,682.77	(16,508,011.40)	(64,094.60)	(1,165,827.82)	61,536,521.28		

Note:

- (1) During the period, there was no interest capitalised.
- (2) The Company has made full provision for diminution in value for construction in progress including resin sand which has been suspended for a long term and is not expected to restart in the future.
- (3) The closing balance of assets under pledge covers a short term loan amounting to RMB23,600,000.00 from China Industrial and Commercial Bank, Weinan Branch (please refer to Note 19(2) for details) and a long term loan amounting to RMB5,000,000.00 from China Construction Bank, Weinan Branch (please refer to Note 29 for details).

	Closing and Opening balance RMB
Provision for diminution in value of construction in progress	1,165,827.82

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17. INTANGIBLE ASSETS

	Land use right RMB (note1)	Industrial property right and technical knowledge RMB (note2)	Others RMB	Total RMB
At cost				
Opening balance	26,751,557.30	11,085,296.13	560,268.00	38,397,121.43
Addition in the period	—	—	100,000.00	100,000.00
Reduction in the period	—	(2,403,697.00)	—	(2,403,697.00)
Closing balance	26,751,557.30	8,681,599.13	660,268.00	36,093,424.43
Accumulated amortisation				
Opening balance	2,482,924.15	8,160,376.91	30,664.00	10,673,965.06
Provision in the period	267,515.58	534,636.60	36,396.00	838,548.18
Reduction in the period	—	(2,403,697.00)	—	(2,403,697.00)
Closing balance	2,750,439.73	6,291,316.51	67,060.00	9,108,816.24
Provision for diminution in value				
Opening and closing balances	—	—	—	—
Net value				
Opening balance	24,268,633.15	2,924,919.22	529,604.00	27,723,156.37
Closing balance	24,001,117.57	2,390,282.62	593,208.00	26,984,608.19
Remaining amortization period	41-48 years	4-13 years	5 years	

Note 1: Except the land use right of Shaanxi Printing granted by local government for the restructuring, other land use rights of the Company was purchased from local land administrative bureaus at consideration of land premium.

Note 2: The industrial property right and technical know-how of the Company was invested or purchased by its investors.

18. LONG TERM DEFERRED EXPENSES

Type	Opening balance RMB	Addition in the period RMB	Closing balance RMB	Amortised during the period RMB	Remaining amortisation period
Land development cost	12,260,291.10	—	(33,000.00)	12,227,291.10	37.5 years
Equipment improvement	37,275.00	—	(6,390.00)	30,885.00	1 year
	12,297,566.10	—	(39,390.00)	12,258,176.10	

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.

19. SHORT TERM LOAN

Type of loan		Closing balance RMB	Opening balance RMB
Guaranteed bank loans	(note 1)	35,000,000.00	34,000,000.00
Pledged bank loans	(note 2)	33,550,000.00	28,100,000.00
Credit bank loans		170,984,833.28	130,387,000.00
		239,534,833.28	192,487,000.00

Note 1: Guaranteed bank loans as at 30 June 2005 bearing annual interest rates from 5.022% to 5.580% was guaranteed by Beiren Group Corporation. Details are set out in note 46(5)(c).

Note 2: Pledged bank loans as at 30 June 2005 included the bank loans of Shaanxi Printing and Haimen Beifu.

The 1-year term loan of RMB23,600,000.00 bearing an annual interest rate from 5.84% to 6.138% provided to Shaanxi Printing by China Industrial and Commercial Bank, Weinan Branch was secured by land use right with net value of RMB11,541,000.00 and machinery with net value of RMB13,187,459.44.

The 1-year term loan of RMB1,950,000.00 bearing an annual interest rate from 6.138% to 7.812% provided to Haimen Beifu by Haimen City Credit Cooperative was secured by machinery with net value of RMB2,093,078.12. The 1-year term loan of RMB8,000,000.00 bearing an annual interest rate of 6.372% provided to the Company by China Industrial and Commercial Bank, Haimen Branch was secured by buildings with net value of RMB7,245,857.01 and land use right with net value of RMB4,902,480.66.

20. BILLS PAYABLE

Type of loan	Closing balance RMB	Opening balance RMB
Bills payable due within one year	63,315,441.20	24,396,180.84
Bills payable due to shareholders who hold more than 5% of the share capital of the Company:		
Name of shareholders	Closing balance RMB	Opening balance RMB
Beiren Group Corporation	—	673,236.00

21. ACCOUNTS PAYABLE

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	3,591,105.61	803,040.00

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	3,643,957.91	6,734,290.34
Value added tax	12,730,268.36	26,445,020.11
Business tax	21,055.06	215,120.46
Urban maintenance and construction tax	523,536.55	1,389,539.20
Others	631,418.61	1,047,600.77
	17,550,236.49	35,831,570.88

24. SUNDRY PAYABLES

Nature	Basis of charges	Closing balance RMB	Opening balance RMB
Educational surcharge	3% of value added tax and business tax payable	323,966.71	559,695.81
Others		125,009.84	190,760.68
		448,976.55	750,456.49

25. OTHER PAYABLES

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	20,460,112.16	20,460,112.16

As at 30 June 2005, the Company had payments of RMB20,460,112.16 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	22,183,713.00	22,183,713.00

The expected liabilities were incurred when the Company acquired subsidiary Shaanxi Printing in 2002 and were not repaid during the period.

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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 DEBT DUE WITHIN ONE YEAR

	Closing balance RMB	Opening balance RMB
Long term debt due within one year (note 1)	29,550,000.00	29,550,000.00
Long term loans due within one year (note 2)	8,000,000.00	11,000,000.00
	<u>37,550,000.00</u>	<u>40,550,000.00</u>

Note 1: At the time the Company's subsidiary Beijing Beiren Yuxin Plastic Printing Company Limited ("BeirenYuxin") was set up, its minority shareholder Beijing Plastic Printing Factory contributed part of its net assets to BeirenYuxin 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, BeirenYuxin 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 to bank. BeirenYuxin shall repay the above mentioned amount to Beijing Plastic Printing Factory by equal installments.

Note 2: Long term loans due within one year were granted to the Company's subsidiary Shaanxi Printing by China Construction Bank, Weinan Branch and China Agricultural Bank, Weinan Branch. Details are set out in note 29.

29. LONG-TERM LOANS

Name of Lender	Closing balance RMB	Opening balance RMB	Term of loans	Interest rate %	Terms of loans
China Construction Bank (Wei Nan Branch)	5,000,000.00	8,000,000.00	26.9.2002-26.9.2005	6.04	Mortgaged loans
China Agricultural Bank (Wei Nan Branch)			17.8.2004-8.2007	5.58	Mortgaged loans
Business department	<u>10,000,000.00</u>	10,000,000.00			
	<u>15,000,000.00</u>	18,000,000.00			
Less: Long term debt due within one year	<u>(8,000,000.00)</u>	(11,000,000.00)			
Repayable due after one year	<u>7,000,000.00</u>	<u>7,000,000.00</u>			
Types of loans repayable within one year:					
Mortgaged loans	8,000,000.00	11,000,000.00			
Guaranteed loans	—	—			
Credit loans	<u>—</u>	<u>—</u>			

Note: Among the balance at the end of the period, the long term loan of RMB5,000,000.00 provided to the Company by China Construction Bank, Weinan Branch was secured by land use right with net value of RMB11,541,000.00, and the long term loan of RMB10,000,000.00 provided by China Agricultural Bank, Weinan Branch was secured by the assets of Weinan City Cinder Real Estate Development Company Limited.

30. DEFERRED TAX CREDIT

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

In accordance with the relevant regulations issued by the Ministry of Finance, the future tax payable arising from investment in non-cash assets before 1997 in respect of the excess of fair values over the book values of non-cash assets used for the purpose of investments is transferred to deferred tax credit.

31. SHARE CAPITAL

During 2004 and the period from 1 January to 30 June 2005, the changes in share capital of the Company were as follows:

	Non-circulating shares		Circulating shares		Total number of shares RMB
	Promoter's shares - State-owned legal person shares RMB	Domestic listed Renminbi ordinary shares RMB	Overseas listed foreign shares RMB	Sub-total of circulating shares RMB	
1 January 2004	250,000,000.00	72,000,000.00	100,000,000.00	172,000,000.00	422,000,000.00
Additions in the period	—	—	—	—	—
31 December 2004	250,000,000.00	72,000,000.00	100,000,000.00	172,000,000.00	422,000,000.00
Additions in the period	—	—	—	—	—
30 June 2005	250,000,000.00	72,000,000.00	100,000,000.00	172,000,000.00	422,000,000.00

The nominal value of each of the above shares is RMB1.

Note: By resolutions passed at the shareholders' general meeting held on 16 May 2001 and 11 June 2002 and pursuant to the approval by the document Zheng Jian Fa Hang Zi [2002] No. 133 of China Securities Regulatory and Administrative Commission, the Company will issue not more than 22,000,000 shares of Renminbi ordinary shares (A Shares) to the social public shareholders with par value of RMB1 per share at a price of RMB7 for each share.

On 7 January 2003, in accordance with the above resolutions and approval document, the Company issued additional 22,000,000 shares of Renminbi ordinary shares (A Shares) at an issue price of RMB7 for each share. The funds arising from the subscription were received on 8 January 2003. The increase in share capital was verified by Deloitte Touche Tohmatsu Certified Public Accountants and capital verification report De Shi (Jing) Yan Bao Zi (03) No. 001 was issued.

32. CAPITAL RESERVE

During 2004 and the period from 1 January to 30 June 2005, changes in capital reserve are as follows:

	Share Premium RMB	Provision of equity investment RMB	Other capital reserve RMB	Total RMB
As at 1 January 2004	517,305,478.93	1,506,493.77	1,405,646.57	520,217,619.27
Addition in previous period	—	646,476.16	—	646,476.16
As at 31 December 2004	517,305,478.93	2,152,969.93	1,405,646.57	520,864,095.43
Addition in the period	—	—	—	—
As at 30 June 2005	517,305,478.93	2,152,969.93	1,405,646.57	520,864,095.43

33. SURPLUS RESERVE

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

	Statutory surplus reserve RMB	Discretionary surplus reserve RMB	Statutory public welfare fund RMB	Total RMB
As at 1 January 2004	65,385,237.16	42,979,710.17	57,576,538.58	165,941,485.91
Addition in previous period	12,021,559.77	—	9,637,429.77	21,658,989.54
As at 31 December 2004	77,406,796.93	42,979,710.17	67,213,968.35	187,600,475.45
Addition in the period	3,640,687.42	—	3,640,687.42	7,281,374.84
As at 30 June 2004	81,047,484.35	42,979,710.17	70,854,655.77	194,881,850.29

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.

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

	For the six months ended 30.6.2005 (Accumulated) RMB	For the six months ended 30.6.2004 (Accumulated) RMB
Opening balance	33,760,000.00	33,760,000.00
Less: Amount of dividend payable carried forward	(33,760,000.00)	(33,760,000.00)
Add: Cash dividend resolved for distribution after the balance sheet date (Note)	—	33,760,000.00
Closing Balance	—	33,760,000.00

Note: As determined at the 22nd meeting of the fourth Board of Directors held on 12 April 2005, the Company proposed to distribute 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 30.6.2005 (Accumulated) RMB	For the six months ended 30.6.2004 (Accumulated) RMB
Retained profits at 1 January 2005	101,184,772.52	60,699,762.90
Add: Net profits for the year	35,636,206.18	95,903,999.16
Less: Transfer to statutory surplus reserve (Note 1)	(3,640,687.42)	(12,021,559.77)
Transfer to statutory public welfare fund (Note 2)	(3,640,687.42)	(9,637,429.77)
Profits distributable to shareholders	129,539,603.86	134,944,772.52
Less: cash dividend resolved for distribution after the balance sheet date	—	(33,760,000.00)
Retained profits at 31 December 2005	129,539,603.86	101,184,772.52

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 30.6.2005 (Accumulated)		For the six months ended 30.6.2004 (Accumulated)	
	Turnover RMB	Cost of sales RMB	Turnover RMB	Cost of sales RMB
Local sales				
Sheet-fed offset printing machines	233,354,437.63	174,373,550.94	262,701,580.07	165,638,821.30
Web-fed offset printing machines	127,102,905.77	78,816,074.58	100,173,264.84	68,870,223.12
Instrusion printing machines	73,668,009.40	60,553,858.90	66,438,205.13	52,839,166.98
Pressing machines	—	—	136,752.14	291,024.36
Form-printing machines	21,279,401.70	15,626,906.94	36,399,999.99	30,805,326.38
Sale of spare parts	7,304,732.13	6,936,235.16	7,196,020.72	4,958,460.85
Printing operations	13,078,600.89	8,891,397.21	13,950,699.92	9,283,975.24
Others	1,911,065.92	1,311,664.36	6,005,077.22	3,717,568.03
	477,699,153.44	346,509,688.09	493,001,600.03	336,404,566.26

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	For the six months ended 30.6.2005 (Accumulated)		For the six months ended 30.6.2004 (Accumulated)	
	Turnover RMB	Cost of sales RMB	Turnover RMB	Cost of sales RMB
Export sales				
Sheet-fed offset printing machines	561,979.20	483,798.75	682,639.44	287,778.12
Web-fed offset printing machines	3,818,152.80	1,426,406.42	12,115,610.40	5,138,119.84
Instrusion printing machines	5,163,300.85	3,068,039.28	15,910,526.66	10,893,956.59
Form-printing machines	—	—	3,054,213.00	2,483,547.38
Sale of spare parts	—	—	20,283.50	12,170.00
	<u>9,543,432.85</u>	<u>4,978,244.45</u>	<u>31,783,273.00</u>	<u>18,815,571.93</u>
	<u>487,242,586.29</u>	<u>351,487,932.54</u>	<u>524,784,873.03</u>	<u>355,220,138.19</u>

Percentage of sales to the top five customers
RMB'000

5,085.30

Percentage of the total sales (%)

10.44

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 30.6.2005 (Accumulated) RMB	For the six months ended 30.6.2004 (Accumulated) RMB
Interest expenses	6,051,161.36	5,184,488.36
Less: Interest income	358,265.75	865,691.55
Exchange loss	131,562.74	75,770.42
Less: Exchange income	1,858.37	5,146.28
Handling charge of financial institutions and others	154,159.32	317,549.59
	<u>5,976,759.30</u>	<u>4,706,970.54</u>

39. INVESTMENT INCOME

	For the six months ended 30.6.2005 (Accumulated) RMB	For the six months ended 30.6.2004 (Accumulated) RMB
Long term investment income		
Profit / (loss) recognized using equity method	1,614,915.29	919,695.59
Disposal of profit / (loss) on long term equity investment	—	(1,129,723.12)
Amortisation of difference in equity investment	—	(907,790.89)
	<u>1,614,915.29</u>	<u>(1,117,818.42)</u>

40. NON-OPERATING INCOME

Item	For the six months ended 30.6.2005 (Accumulated) RMB	For the six months ended 30.6.2004 (Accumulated) RMB
Net income from disposal of fixed assets	1,098,049.64	2,068,408.45
Penalty income	50.00	1,305.00
Others	154,896.68	202,977.25
	<u>1,252,996.32</u>	<u>2,272,690.70</u>

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41. NON-OPERATING EXPENSES

Item	For the six months ended 30.6.2005 (Accumulated) RMB	For the six months ended 30.6.2004 (Accumulated) RMB
Expenses on disposal of fixed assets, net	469,595.38	2,433,221.63
Write-back of provision for impairment of fixed assets	—	941,853.28
Penalty expenses	1,334.00	100.00
Others	59,693.81	53,077.72
	<u>530,623.19</u>	<u>3,428,252.63</u>

42. INCOME TAX

Item	For the six months ended 30.6.2005 (Accumulated) RMB	For the six months ended 30.6.2004 (Accumulated) RMB
Income tax of the Company	7,415,717.14	10,623,245.00
Income tax of subsidiaries	235,102.30	760,952.79
	<u>7,650,819.44</u>	<u>11,384,197.79</u>

43. ANALYSIS OF CASH AND CASH EQUIVALENTS

Item	As at 30.6.2005 RMB	As at 30.6.2004 RMB
Balance of bank deposit and cash	117,320,483.29	156,232,523.73
Less: time deposit pledged for issuance of bank acceptance	13,700,000.00	—
Cash balance	<u>103,620,483.29</u>	<u>156,232,523.73</u>

44. OTHER CASH PAID RELATING TO OPERATING ACTIVITIES

Item	Amount RMB
Agency commission paid	5,483,169.34
Payment for trademark fee	3,468,739.77
Audit fee	987,502.65
Installation and testing fee	2,027,831.05
Repairs and maintenance	2,810,281.35
Advertising, promotion and exhibition	3,274,099.47
Transportation and business travel fee	4,369,716.68
Research and development fee	3,642,356.51
Entertainment fee	1,404,997.55
Water and electricity fee	521,902.69
Heating fee	993,051.13
Leasing fee	1,482,933.43
Business and meeting fee	3,304,604.43
Others	55,465,653.87
	<u>89,236,839.92</u>

45. 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.

46. 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, representing 59.24% of the Company's total share capital. There are no changes occurred during the period.

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

Name of connected party	Closing and opening balance
Beiren Group Corporation	RMB200,266,000.0

(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 Associated Company
Beijing 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 30.6.2005 (Accumulated) RMB	For the six months ended 30.6.2004 (Accumulated) RMB
Sales		
Revenue from sales transacted on behalf of the Company		
— Hubei Beiren Printing Machinery Operation and Sale Company Limited	23,113,076.92	26,142,094.02
— Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	16,425,897.44	37,403,333.33
— Liaoning Beiren Printing Machinery Operation and Sale Company Limited	8,707,051.28	10,201,769.23
— Xi'an Beiren Beifu Printing Machinery Operation and Sale Company Limited	—	380,598.29
— Beijing Yan Long Import and Export Company	—	(1,923,076.92)
	<u>48,246,025.64</u>	<u>72,204,717.95</u>
Revenue from sales of printing machines		
— Beiren Group Corporation	<u>2,179,242.68</u>	<u>4,158,119.67</u>
Purchase		
Expenditure of purchases of materials		
— Beijing Yan Long Import and Export Company	—	4,005,982.91
— Beiren Group Corporation	3,521,841.45	—
— Beijing Beiyong Moulding Company Limited	20,255,874.84	19,704,367.36
— Beijing Monigraf Automatic Systems Company Limited	12,064,284.00	—
	<u>35,842,000.29</u>	<u>23,710,350.27</u>

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

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(b) Guarantee

As at 30 June 2005, Beiren Group Corporation provided a guarantee of RMB35,000,000.00 for the short term loan of the Company.

(c) Others

Trademark fee paid (Note 1)		
– Beiren Group Corporation	3,468,739.77	3,535,121.13
Rental income		
– Beijing Monigraf Automatic Systems Company Limited (Note 2)	50,000.00	50,000.00
– Beijing Beiyong Moulding Company Limited (Note 3)	1,265,503.38	1,265,503.38
	<u>1,315,503.38</u>	<u>1,315,503.38</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") with effect from December 2001. During the period, Monigraf paid total rental of RMB500,000.00 to the Company.

Note 3: Since 1 May 2003, the Company has leased its fixed assets to Beijing Beiyong Casting Company Limited ("Beiyong"). During the period, Beiyong paid total rental of RMB1,265,503.38 to the Company.

(d) Current accounts with connected parties

Item	Name of connected parties	Closing balance RMB	Opening balance RMB
Accounts receivable	Hubei Beiren Printing Machinery Sales Limited	8,697,680.00	7,935,380.00
	Xi'an Beiren Beifu Printing Machinery Sales Limited	1,092,000.00	1,092,000.00
	Liaoning Beiren Printing Machinery Limited	15,045,800.00	15,414,000.00
	Beijing Beiren Hengtong Printing Machinery Sales Limited	5,164,330.00	6,410,230.00
	Beiren Group Corporation	3,902,220.00	3,518,220.00
		<u>33,902,030.00</u>	<u>34,369,830.00</u>
Bills receivable	Beijing Beiren Hengtong Printing Machinery Sales Limited	<u>320,000.00</u>	<u>1,639,000.00</u>
Other receivables	Beiren Group Corporation	62,294.80	326,642.68
	Beijing Monigraf Automatic Systems Company Limited	150,000.00	—
		<u>212,294.50</u>	<u>326,642.68</u>
Prepayments	Beiren Group Corporation	990,000.00	1,368,119.19
	Beijing Beiyong Moulding Company Limited	391,976.34	—
		<u>1,381,976.34</u>	<u>1,368,119.19</u>
Bills payable	Beiren Group Corporation	—	673,236.00
	Beijing Beiyong Moulding Company Limited	3,868,400.77	—
		<u>3,868,400.77</u>	<u>673,236.00</u>
Accounts payable	Beiren Group Corporation	3,591,105.61	803,040.00
	Beijing Yan Long Import and Export Company	11,740.00	23,480.00
	Beijing Monigraf Automatic Systems Company Limited	2,698,294.04	—
		<u>6,301,139.65</u>	<u>826,520.00</u>
Other payables	Beiren Group Corporation	<u>20,460,112.16</u>	<u>20,460,112.16</u>

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

47. CONTINGENT EVENTS

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

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

	Closing balance RMB'000	Opening balance RMB'000
Contracted but not executed for purchase of assets	12,046	14,613

(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	171	236
In the second year after the balance sheet date	118	118
In the third year after the balance sheet date	118	118
Subsequent years	429	496
Total	836	968

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

	Closing balance RMB	Opening balance RMB
Banker's acceptance	3,858,123.21	10,501,200.00

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	258,670,284.03	78.04	—	258,670,284.03	219,538,300.51	79.82	—	219,538,300.51
1-2 years	50,783,119.87	15.32	15,135,965.96	35,647,153.91	30,138,535.00	10.96	8,749,720.50	21,388,814.50
2-3 years	7,029,507.21	2.12	3,760,444.33	3,269,062.88	6,829,119.82	2.48	3,640,211.89	3,188,907.93
More than 3 years	14,970,298.12	4.52	6,791,192.02	8,179,106.10	18,521,652.25	6.74	10,339,439.53	8,182,212.72
Total	331,453,209.23	100.00	25,687,602.31	305,765,606.92	275,027,607.58	100.00	22,729,371.92	252,298,235.66

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	3,820,220.00	3,518,220.00

(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	3,917,052.92	11.47	—	3,917,052.92	1,218,947.90	3.61	657,700.47	561,247.43
1-2 years	1,111,038.21	3.25	657,700.47	453,337.74	1,007,699.64	2.99	—	1,007,699.64
2-3 years	1,007,699.64	2.95	—	1,007,699.64	—	—	—	—
More than 3 years	28,122,767.76	82.33	13,000,996.36	15,121,771.40	31,486,883.50	93.40	13,000,996.36	18,485,887.14
Total	34,158,558.53	100.00	13,658,696.83	20,499,861.70	33,713,531.04	100.00	13,658,696.83	20,054,834.21

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	62,294.80	326,642.68

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(4) Provision for bad debt

	Opening balance RMB	Provision in the period RMB	Transfer in the period RMB	Closing balance RMB
Account receivables	22,729,371.92	3,105,230.39	(147,000.00)	25,687,602.31
Other receivables	13,658,696.83	—	—	13,658,696.83
Total	<u>36,388,068.75</u>	<u>3,105,230.39</u>	<u>(147,000.00)</u>	<u>39,346,299.14</u>

(5) Prepayment

Aging analysis of prepayment is as follows:

	Closing balance		Opening balance	
	RMB	%	RMB	%
Within 1 year	12,652,758.72	99.22	5,725,905.76	88.15
1-2 years	100,000.00	0.78	770,000.00	11.85
	<u>12,752,758.72</u>	<u>100.00</u>	<u>6,495,905.76</u>	<u>100.00</u>

Prepayment due from shareholders who hold 5% of the share capital of the Company is as follows:

	Closing balance RMB	Opening balance RMB
Beiren Group Corporation	<u>890,000.00</u>	<u>1,368,119.19</u>

(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	39,701,649.10	1,009,853.66	38,691,795.44	49,959,784.08	1,009,853.65	48,949,930.43
Work in progress	197,491,873.92	5,230,957.86	192,260,916.06	153,144,403.92	5,230,957.86	147,913,446.06
Finished goods	278,320,069.31	33,439,472.24	244,880,597.07	267,488,498.27	32,323,180.15	235,165,318.12
Semi-finished goods	18,435,490.92	—	18,435,490.92	15,598,554.64	—	15,598,554.64
Total	<u>533,949,083.25</u>	<u>39,680,283.76</u>	<u>494,268,799.49</u>	<u>486,191,240.91</u>	<u>38,563,991.66</u>	<u>447,627,249.25</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	1,009,853.65	—	—	1,009,853.65
Work in progress	5,230,957.86	—	—	5,230,957.86
Finished goods	32,323,180.15	2,021,059.36	(904,767.27)	33,439,472.24
Total	<u>38,563,991.66</u>	<u>2,021,059.36</u>	<u>(904,767.27)</u>	<u>39,680,283.75</u>

(7) Long term equity investment

	Closing balance RMB	Opening balance RMB
Investment in subsidiaries included in the scope of consolidation	185,691,785.13	186,295,821.92
Investment in subsidiaries not included in the scope of consolidation	3,029,593.98	3,098,479.41
Investment in associated companies	9,506,491.10	8,142,205.03
Total	<u>198,227,870.21</u>	<u>197,536,506.36</u>
Less: provision for impairment of long term equity investment	<u>(1,768,506.36)</u>	<u>(1,768,506.36)</u>
Long term equity investment, net	<u>196,459,363.85</u>	<u>195,768,000.00</u>

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

	RMB
Closing and Opening balance	<u>1,768,506.36</u>

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Name of invested companies	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	601,279.64	—	7,726,189.79	—	37,358,889.05
Beijing Beiren Jing Yan Printing Machinery Factory	20,972,023.06	99.76	(147,622.25)	—	(2,867,108.54)	—	18,104,914.52
Hebei Beiren Gei Zh Ji Chang	2,534,000.00	50.68	(228,141.35)	—	150,977.53	—	2,684,977.53
Haimen Beiren Fuji Printing Machinery Company Limited	23,179,680.34	59.62	(270,473.89)	—	(15,030,188.61)	—	8,149,491.73
Sheenlite Limited	3.51	100.00	—	—	(3.51)	—	—
Beijing Beiren Yuxin Plastic Printing Company Limited	15,400,000.00	68.66	142,002.36	—	1,550,838.42	—	16,950,838.42
Shaanxi Beiren Printing Machinery Company Limited	98,968,505.71	86.24	(514,340.95)	—	2,909,237.61	—	101,877,743.32
Zhejiang Beiren Printing Machinery Operation and	825,000.00	55.00	(186,740.35)	—	(260,069.44)	—	564,930.56
	191,511,911.88		(604,036.79)	—	(5,820,126.75)	—	185,691,785.13
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)	—
Xi'an Beiren Beifu Printing Machinery Operation and Sale Company Limited	735,000.00	49.00	(129,595.71)	—	(370,565.69)	—	364,434.31
Hubei Beiren Printing Machinery Operation and Sale Company Limited	765,000.00	51.00	60,710.28	—	131,653.31	—	896,653.31
	4,000,000.00		(68,885.43)	—	(970,406.02)	(1,768,506.36)	1,261,087.62
Associated companies							
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	900,000.00	45.00	(89,889.54)	—	(74,366.66)	—	825,633.34
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	343,000.00	49.00	29,408.41	—	198,946.53	—	541,946.53
Beijing Beiyong Moulding Company Limited	1,136,000.00	20.00	457,306.84	(454,400.00)	1,019,910.78	—	2,155,910.78
Beijing Monigraf Automatic Systems Company Limited	3,675,000.00	49.00	1,421,860.36	—	2,308,000.45	—	5,983,000.45
	6,054,000.00		1,818,686.07	(454,400.00)	3,452,491.10	—	9,506,491.10
	201,565,911.88		1,145,763.85	(454,400.00)	(3,338,041.67)	(1,768,506.36)	196,459,363.85

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(8) Revenue and cost of sales from major operations

	For the six months ended 30.6.2005 (Accumulated)		For the six months ended 30.6.2004 (Accumulated)	
	Revenue RMB	Cost of sales RMB	Revenue RMB	Cost of sales RMB
Local sales				
Sheet-fed offset printing machines	223,542,175.24	170,547,785.19	245,724,076.18	158,465,786.75
Web-fed offset printing machines	127,102,905.77	78,816,074.58	100,173,264.84	68,871,223.12
Pressing machines	—	—	136,752.14	291,024.36
Sales of spare part	1,763,422.52	1,592,857.47	2,657,423.92	2,535,472.95
Other	1,464,110.37	1,101,009.10	1,764,171.25	936,253.36
	<u>353,872,613.90</u>	<u>252,057,726.34</u>	<u>350,455,688.33</u>	<u>231,099,760.54</u>
Export sales				
Sheet-fed offset printing machines	561,979.20	483,798.75	682,639.44	287,778.12
Web-fed offset printing machines	3,818,152.80	1,426,406.42	12,115,610.40	5,138,119.84
	<u>4,380,132.00</u>	<u>1,910,205.17</u>	<u>12,798,249.84</u>	<u>5,425,897.96</u>
Total	<u>358,252,745.90</u>	<u>253,967,931.51</u>	<u>363,253,938.17</u>	<u>236,525,658.50</u>

(9) Investment income

	For the six months ended 30.6.2005 (Accumulated) RMB	For the six months ended 30.6.2004 (Accumulated) RMB
Long term investment income		
Income recognized using equity method	1,614,915.29	4,059,066.92
Income/(loss) on diminution in value of long term equity investment	—	(1,129,723.12)
Amortisation of difference in equity investment	—	(907,790.89)
	<u>1,614,915.29</u>	<u>2,021,552.91</u>

SUPPLEMENTARY INFORMATION

For the period from 1 January 2005 to 30 June 2005

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

Under PRC accounting standards, the Company recorded net profit of RMB35,636,000 and net assets of RMB1,267,296,000 as at 30 June 2005 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	35,636	59,000	1,267,296	1,265,422
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 to the Company by Beiren Group Corporation	156	73	48,301	48,145
Difference in valuation of capital contributed to subsidiaries	16	16	(305)	(321)
Difference in impairment loss in value of other asset and consequential adjustment	—	—	(6,374)	(6,374)
Difference in recognition of deferred tax	2,475	1,029	22,221	19,746
Recognition of goodwill upon acquisition of a subsidiary	—	—	4,479	4,479
Amortisation of goodwill upon acquisition of a subsidiary	—	(224)	(1,344)	(1,344)
Difference arising from minority interests stated as equity	488	1,532	46,186	45,698
Others	115	1,602	(1,463)	(1,580)
Prepared under Hong Kong accounting standards	<u>38,886</u>	<u>63,028</u>	<u>1,318,799</u>	<u>1,313,673</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	For the current period	For the same period last year	For the current period	For the same period last year	For the current period	For the same period last year
Profit from principal operations	10.51	13.54	10.38	13.50	0.32	0.39	0.32	0.39
Operating profit	3.22	6.02	3.18	6.00	0.10	0.18	0.10	0.18
Net profit	2.81	4.80	2.78	4.79	0.08	0.14	0.08	0.14
Net profit, net of extraordinary item	2.76	4.97	2.73	4.97	0.08	0.14	0.08	0.14

3. Analysis of provision for diminution value as at 30 June 2005

Item	1.1.2005		Additions during the period		Transfer during the period		30.6.2005	
	Group RMB	Company RMB	Group RMB	Company RMB	Group RMB	Company RMB	Group RMB	Company RMB
Provision for bad debts including:	39,561,015.04	36,388,068.75	6,185,232.23	3,105,230.39	(197,000.00)	(147,000.00)	45,549,247.27	39,346,299.14
Accounts receivable	30,160,730.37	22,729,371.92	3,526,964.53	3,105,230.39	(147,000.00)	(147,000.00)	33,540,694.90	25,687,602.31
Other receivables	9,400,284.67	13,658,696.83	2,658,267.70	—	(50,000.00)	—	12,008,552.37	13,658,696.83
Provision for diminution in value of inventories including:	42,496,319.48	38,563,991.66	2,021,059.36	2,021,059.36	(950,711.26)	(904,767.27)	43,566,667.58	39,680,283.75
Raw materials	1,260,148.79	1,009,853.65	—	—	(45,944.00)	—	1,214,204.79	1,009,853.65
Finished goods	35,295,504.41	32,323,180.15	2,021,059.36	2,021,059.36	(904,767.26)	(904,767.27)	36,411,796.51	33,439,472.24
Work in progress	5,940,666.28	5,230,957.86	—	—	—	—	5,940,666.28	5,230,957.86
Provision for diminution in value of long term investments including:	19,703,706.36	19,603,706.36	—	—	—	—	19,703,706.36	19,603,706.36
Long term equity investment	1,868,506.36	1,768,506.36	—	—	—	—	1,868,506.36	1,768,506.36
Long term investment in debt	17,835,200.00	17,835,200.00	—	—	—	—	17,835,200.00	17,835,200.00
Provision for diminution in value of fixed assets including:	32,317,699.59	25,817,699.59	—	—	(425,690.62)	—	31,892,008.97	25,817,699.59
Plant and machinery	25,817,699.59	25,817,699.59	—	—	(425,690.62)	—	25,392,008.97	25,817,699.59
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	135,244,568.29	120,373,466.36	8,206,291.59	5,126,289.75	(1,573,401.88)	(1,051,767.27)	141,877,458.00	124,447,988.84

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:

- Cash and bank balances decreased by 24.91% from the opening balance, mainly due to the spending in production and operation.
- Accounts receivable increased by 18.58% over the opening balance, mainly as a result of instalment sales to expand its market share for the multi-colour machinery and large-scale printing newspaper machinery (tower machinery) and sharpen its competitiveness over imported similar products.
- Accounts prepaid increased by 35.51% as compared with the opening balance, mainly due to the pending acceptance of imported materials into warehouse and relevant recognition in accounting.
- Inventories increased by 8.81% as compared with the opening balance, mainly due to a growth in finished products in stock and work-in-process.
- Fixed assets at cost and net fixed assets increased by 0.04% and decreased by 1.67% respectively from the opening balance, which are normal movements.
- Short term loans increased by 24.44% over the opening balance, mainly arising from a rise in loan to increase working capital.
- Bills payable increased by 159.53% over the opening balance, primarily due to the increased bills payable of the Company for reduction of financing costs.
- Accounts payable decreased by 0.46% from the opening balance, essentially unchanged from the opening balance.
- Tax payable decreased by 51.02% from the opening balance, principally due to the payment at the year beginning.

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- (10) Other payables decreased by 40.17% as compared with the opening balance, mainly owing to the payment at the year beginning.
- (11) Operating profit decreased by 21.16% as compared the same period last year. Principal operating profit decreased by 19.88% for the period, mainly due to the decrease of 7.15% in principal operating income and the decrease of 1.05% in the principal operating costs. This is mainly attributable to the decrease of 2.65 percentage points in sales compound gross margin as a result of changed product mix for sale. Other operating profit increased by 1,039.6%. Period expense increased by 1.84% over the opening balance, a similar level as the same period last year.
- (12) Investment income increased by 244.47% as compared the same period last year, mainly attributable to the improved profitability of the Company's external investment.
- (13) Net non-operating income and expenses increase by 162.51% as compared the same period last year, mainly attributable to net income from disposal of fixed assets during the period.



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 48 to 55.

Responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. 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 Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, 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 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2005

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CONDENSED CONSOLIDATED INCOME STATEMENT

(prepared under accounting principles generally accepted in Hong Kong)
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	NOTES	Six months ended	
		30.6.2005 RMB'000 (unaudited)	30.6.2004 RMB'000 (unaudited)
Turnover	3	495,310	549,682
Cost of sales		(360,135)	(384,377)
Gross profit		135,175	165,305
Other operating income		2,977	9,408
Distribution costs		(20,411)	(25,837)
Administrative expenses		(69,451)	(71,405)
Profit from operations		48,290	77,471
Finance costs		(6,047)	(5,234)
Share of results of associates		2,035	412
Gain on disposal of an associate		—	721
Profit before tax	5	44,278	73,370
Income tax expense	6	(5,392)	(10,342)
Profit for the period		38,886	63,028
Attributable to:			
Equity holders of the parent		38,398	61,496
Minority interests		488	1,532
		38,886	63,028
Earnings per share - Basic	8	RMB9.10 fen	RMB14.57 fen

CONDENSED CONSOLIDATED BALANCE SHEET(prepared under accounting principles generally accepted in Hong Kong)
AT 30 JUNE 2005

	NOTES	30.6.2005 RMB'000 (unaudited)	31.12.2004 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	693,421	708,560
Construction in progress	10	50,253	38,491
Goodwill		3,135	3,135
Intangible assets		2,085	2,604
Interests in associates		10,246	8,427
Other assets		8,518	8,518
Prepaid lease payments on land use rights		85,391	83,665
Deferred tax assets		22,221	19,746
		875,270	873,146
Current assets			
Inventories		680,001	624,227
Accounts receivable, prepayments and other receivables	11	404,451	333,208
Amounts due from associates		21,072	26,411
Amount due from minority shareholders of subsidiaries		9,349	10,095
Prepaid lease payments on land use rights		2,068	2,068
Pledged bank deposits		13,700	—
Bank balances and cash		104,838	157,078
		1,235,479	1,153,087
Current liabilities			
Accounts payable	12	277,959	249,322
Other payables		115,883	105,135
Sales deposits received		31,944	34,271
Amount due to ultimate holding company		20,147	17,509
Amounts due to associates		6,566	24,074
Amounts due to minority shareholders of subsidiaries		4,098	3,394
Taxation payable		3,602	6,858
Provision for other taxes and levies		13,906	31,960
Dividend payable		33,760	—
Borrowings – due within one year	13	277,085	215,787
		784,950	688,310
Net current assets		450,529	464,777
Total assets less current liabilities		1,325,799	1,337,923
Capital and reserves			
Share capital	14	422,000	422,000
Reserves		850,613	845,975
Equity attributable to equity holders of the parent		1,272,613	1,267,975
Minority interests		46,186	45,698
Total equity		1,318,799	1,313,673
Non-current liabilities			
Borrowings - due after one year	13	7,000	24,250
		1,325,799	1,337,923

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(prepared under accounting principles generally accepted in Hong Kong)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Attributable to equity holders of the parent												
	Statutory												
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	public welfare fund	General reserve fund	Enterprise development fund	Discretionary surplus reserve	Retained profits	Dividend reserve	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2005	422,000	435,834	51,155	73,014	67,352	1,717	3,845	42,979	136,319	33,760	1,267,975	45,698	1,313,673
Net profit for the period	—	—	—	—	—	—	—	—	38,398	—	38,398	488	38,886
Appropriations	—	—	—	3,641	3,641	—	—	—	(7,282)	—	—	—	—
Dividend approved at Annual General Meeting	—	—	—	—	—	—	—	—	—	(33,760)	(33,760)	—	(33,760)
At 30 June 2005	<u>422,000</u>	<u>435,834</u>	<u>51,155</u>	<u>76,655</u>	<u>70,993</u>	<u>1,717</u>	<u>3,845</u>	<u>42,979</u>	<u>167,435</u>	<u>—</u>	<u>1,272,613</u>	<u>46,186</u>	<u>1,318,799</u>
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	45,506	1,246,040
Net profit for the period	—	—	—	—	—	—	—	—	61,496	—	61,496	1,532	63,028
Appropriations	—	—	—	5,824	5,824	—	—	—	(11,648)	—	—	—	—
Dividend approved at Annual General Meeting	—	—	—	—	—	—	—	—	—	(33,760)	(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>	<u>47,038</u>	<u>1,275,308</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(prepared under accounting principles generally accepted in Hong Kong)
 FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Six months ended	
	30.6.2005	30.6.2004
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	(55,026)	36,701
Net cash used in investing activities		
Proceeds from disposal of property, plant and equipment	10,273	5,251
Additions to construction in progress	(28,271)	(64,545)
Increase in prepaid lease payments on land use right	(2,000)	—
Purchase of property, plant and equipment	(1,517)	(4,549)
	(21,515)	(63,843)
Net cash from financing activities		
New bank borrowings granted	172,675	249,654
Repayments of bank borrowings	(128,627)	(193,000)
Increase in pledged bank deposits	(13,700)	—
Other financing cash flows	(6,047)	(5,234)
	24,301	51,420
Net (decrease) increase in cash and cash equivalents	(52,240)	24,278
Cash and cash equivalents at 1 January	157,078	144,018
Cash and cash equivalents at 30 June	<u>104,838</u>	<u>168,296</u>

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(prepared under accounting principles generally accepted in Hong Kong)
FOR THE SIX MONTHS ENDED 30 JUNE 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the Listing Rules) and with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Business combinations

In the current period, the Group has applied HKFRS 3 "Business Combinations", which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. This change in accounting policy has resulted in an increase in the profit of approximately RMB224,000 for the six months ended 30 June 2005. Comparative figures for 2004 have not been restated.

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Consequentially, the prepaid lease payment on land use rights of RMB87,459,000 and RMB85,733,000 are separately disclosed on the consolidated balance sheet at 30 June 2005 and 31 December 2004 respectively.

The Group has not early applied the following new Standards or Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intergroup Transactions
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease

3. Turnover

Turnover represents the net sales value of printing machines, spare parts, raw materials and services from other operations. The Group's turnover analysed by principal activity is as follows:

	For six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
Manufacture and sales of printing machines	473,404	525,220
Manufacture and sales of spare parts	9,436	7,608
Provision of printing services	13,079	13,951
Trading of raw materials and other operations	1,988	6,199
Total sales	497,907	552,978
Less: Sales tax and other surcharges	(2,597)	(3,296)
	495,310	549,682

4. 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.

5. PROFIT BEFORE TAX

	Six months ended	
	30.6.2005	30.6.2004
	RMB'000	RMB'000
Profit before tax has been arrived at after charging (crediting):		
Depreciation and amortisation	24,739	23,022
Impairment for property, plant and equipment	—	942
Share of tax of associates (included in share of results of associates)	216	161
Interest income	(358)	(875)
Profit on disposal of property, plant and machinery	(1,054)	—
	23,543	23,250

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2005	30.6.2004
	RMB'000	RMB'000
The charge represents:		
Provision for PRC enterprise income tax for the current period	7,867	11,371
Deferred tax credit	(2,475)	(1,029)
	5,392	10,342

The Company is subject to PRC enterprise income tax levied at a rate of 15% (2004: 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.

7. DIVIDENDS

Final dividend for 2004 of RMB33,760,000 was approved by the shareholders in the annual general meeting held on 8 June 2005. The directors do not recommend the payment of any interim dividend.

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8. EARNINGS PER SHARE - BASIC

The calculation of basic earnings per share attributable to the ordinary equity holders of the parent is based on the net profit for the period attributable to the ordinary equity holders of the parent of RMB38,398,000 (2004: RMB61,496,000) and on 422,000,000 (2004: 422,000,000) shares in issue during the period.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB1,517,000 (2004: RMB4,549,000) on the acquisition of property, plant and equipment and approximately RMB16,509,000 (2004: RMB21,700,000) of property, plant and equipment were transferred from construction in progress.

During the period, the Group disposed of certain plant and machinery with a carrying amount of RMB9,219,000 (2004: RMB5,251,000) for a total consideration of RMB10,273,000 (2004: RMB5,251,000), resulting in a profit on disposal of RMB1,054,000 (2004: Nil).

10. CONSTRUCTION IN PROGRESS

During the period, the Group spent approximately RMB28,271,000 (2004: RMB64,545,000) on construction of its buildings, plant and machinery and others.

11. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES

At 30 June 2005, the balances of accounts receivable, prepayments and other receivables included accounts receivable of RMB365,767,000 (31.12.2004: RMB304,884,000). Customers are normally granted a credit period of 90-180 days.

The following is an aged analysis of accounts receivable at the reporting date:

	30.6.2005 RMB'000	31.12.2004 RMB'000
Within one year	312,132	267,231
Over one year, but not exceeding two years	43,201	28,549
Over two years, but not exceeding three years	9,052	8,369
Over three years	1,382	735
	<u>365,767</u>	<u>304,884</u>

12. ACCOUNTS PAYABLE

	30.6.2005 RMB'000	31.12.2004 RMB'000
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The following is an aged analysis of accounts payable at the reporting date:

Within one year	256,447	244,263
Over one year, but not exceeding two years	18,682	4,102
Over two years, but not exceeding three years	1,018	483
Over three years	1,812	474
	<u>277,959</u>	<u>249,322</u>

13. BORROWINGS

The Group obtained new bank loans of RMB173 million (2004: RMB249 million), and repaid RMB129 million (2004: RMB193 million) during the period. The newly raised loans bear interest at market rates.

14. SHARE CAPITAL

	Amount RMB'000
Registered, issued and fully paid:	
At 1 January 2004, 30 June 2004, 31 December 2004 and 30 June 2005	
322,000,000 ordinary A Shares of RMB1 each	322,000
100,000,000 ordinary H Shares of RMB1 each	100,000
	<u>422,000</u>

15. CAPITAL COMMITMENTS

	30.6.2005 RMB'000	31.12.2004 RMB'000
Contracted but not provided for the purchase of property, plant and equipment	<u>12,046</u>	<u>14,613</u>

16. RELATED PARTY TRANSACTIONS

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

	Six months ended 30.6.2005 RMB'000	30.6.2004 RMB'000
Sales of goods, net of sales return to		
— Beijing Beiren Hengtong Printing Machinery Sales Limited (an associate)	16,426	37,403
— Liaoning Beiren Printing Machinery Sales Limited (an associate)	8,707	10,202
— Guangzhou Beiren Hengtong Printing Machinery Limited (an associate disposed of during 2004)	—	2,493
— Beijing Yan Long Import and Export Co., Ltd. (a subsidiary of Beiren Group Company ("BGC"), the ultimate holding company)	—	(1,923)
Sale of materials to		
— BGC (ultimate holding company)	2,179	4,158
Purchase of materials from		
— Beijing Yan Long Import and Export Co., Ltd. (a subsidiary of BGC)	—	4,006
— BGC (ultimate holding company)	3,522	—
— Beijing Beiyong Moulding Company Limited (an associate)	20,256	19,704
— Beiren Monigraf Automations Co., Ltd. (an associate)	12,064	—
Trademark fee paid to		
— BGC (ultimate holding company)	3,469	3,535
Rental income received from		
— Beiren Monigraf Automations Co., Ltd. (an associate)	50	50
— Beijing Beiyong Moulding Company Limited (an associate)	<u>1,266</u>	<u>1,266</u>

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 2004.

Included in bank borrowings at the balance sheet date, an amount of RMB35,000,000 (2004: RMB34,000,000) is guaranteed by BGC, the ultimate holding company of the Group.