

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

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

(XII) Contingent liabilities

As at 30 June 2006, the Company did not have any material contingent liabilities.

(XIII) Business outlook for the second half of 2006

1. Take more efforts in market promotion of high-end products in the second half of 2006. Marching into high-end product market is a strategic goal of the Company, as with the growing economy of China, the printing market has evolved from low-end to high-end and exquisite finished products, calling for high efficiency and low defectiveness. To meet market demands for high-end presses, the Company will enhance its services for better customer satisfaction, aiming at a well-established brand image across customers.
2. For new product development, the Company will follow its established target set out in its 11th Five-year Plan, amassing resources to speed development of major products under definite positioning and ensuring completion of relevant product certifications.
3. Lower cost to increase profitability. Ex-budget expenses will be under strict control, together with strengthened monitoring of budget implementation. Based on the established standard cost accounting, a standard cost accounting system will be set up for subsidiaries, whereby in-depth analysis of the difference between actual cost and standard cost will be taken to strengthen cost management and increase product gross margin.
4. Enhance capital management to hedge operating risks. During the first half year, the Company's accounts receivable recorded an increase in order to speed up new product development and secure larger market share, thereby increasing operating risks. To resolve it, the Company will include reserve capital, working capital and finished product capital into accountability system for assessment, while shortening production cycle and accelerating capital turnover days to minimise carrying capital and alleviate capital calls. At the same time, the Company will take active measures to cut down accounts receivable, and strictly control instalment size to hedge risks, trying hard to maintain a reasonable cash flow for positive development of the Company.
5. Improve quality management to ensure product quality consistence and reliability. Starting from improving complete set quality and streamlining work processes, the Company will tackle key technology nuts based on market feedbacks, taking efforts in enhancing assembly quality consistence to ensure high quality delivery.
6. As healthy paces of subsidiaries are vital for the Company's investment return and strategic development, the Company will continue its in-process check and internal auditing on subsidiaries in the second half of 2006. The Company will exercise rational management over subsidiaries so as to contribute to the interest of the Company and its shareholders at a whole.

(XIV) Warning made to the forecasted loss incurred for accumulated net profit or potential significant change occurred from the beginning of the year to the end of next reporting period and the explanation thereof

Given the keen competition in the printing machine manufacturing industry, adjustment of product prices and rising price of materials, the Company predicted that the accumulated net profit from the beginning of the year to the end of next reporting period may subject to substantial decrease when compared with the same period of last year.

VI. SIGNIFICANT EVENTS

(I) Corporate Governance

In implementing the documents relating to standard operation of listed companies issued by China Securities Regulatory Commission, the Company timely adjusted its Articles of Association, Rules of Procedure for General Meetings, Rules of Procedures for the Board of Directors and Rules of Procedure for the Supervisory Committee to improve its corporate governance and regulate its operation in compliance with the newly promulgated Company Law, Securities Act and A Guide on Articles of Association of Listed Companies.

During the reporting period, the Company has carried out its corporate governance in strict compliance with Rules for Corporate Governance of Listed Companies, Rules Governing the Listing of Securities on Shanghai Stock Exchange, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and its Articles of Association. Its current corporate governance is in line with the requirements of regulatory authorities.

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

At the Company's 2005 Annual General Meeting on 27 June 2006, the Company's profit distribution plan for 2005 was approved, pursuant to which a cash dividend shall be paid to all shareholders at RMB0.7 (tax inclusive) for every 10 shares. Based on the 422,000,000 share in issue (nominal value is RMB1), a total of RMB29,540,000 will be distributed. The relevant announcement on dividend distribution for H Shares was published in Shanghai Securities News, Hong Kong Economic Times and The Standard on 28 June 2006. The announcement on dividend distribution for A Shares was published in Shanghai Securities News on 8 August 2006. For A Shares, the date of registration of shares is 11 August 2006 and the ex-dividend date is 14 August 2006. Dividends for A Shares and H Shares will be paid on 18 August 2006.

(III) **Material litigation and arbitration**

During the reporting period, the Company did not involve in any material litigation or arbitration.

(IV) **Assets transactions**

There was no material acquisition or disposal of assets or merge during the reporting period.

(V) **Creditor's rights and debts with connected parties**

Unit: RMB0'000

Connected party	Relationship with the Company	Fund provided by the Company to connected party		Fund provided by connected party to the Company	
		Amount	Balance	Amount	Balance
Hubei Beiren Printing Machinery Sales Limited	Associated company	(889.40)	—	—	—
Xian Beiren Beifu Printing Machinery Sales Limited	Associated company	(80.00)	29.20	—	—
Liaoning Beiren Printing Machinery Sales Limited	Associated company	(568.37)	1,955.71	—	—
Beijing Beiren Hengtong Printing Machinery Sales Limited	Associated company	135.10	1,048.07	—	—
Beiren Group Corporation	Controlling shareholder	(82.23)	991.61	(12.50)	2,186.62
Beijing Beiren Taihe Printing and Casting Factory	Subsidiary	—	—	—	1,093.20
Beijing Beiyong Printing and Casting Company Limited	Associated company	(297.31)	—	(48.58)	101.42
Beijing Mitsubishi Beiren Printing Machinery Company Limited	Associated company	21.11	21.11	—	—
Beijing Yan Long Import and Export Company	Subsidiary of a shareholder	—	—	(1.22)	—
Total		<u>(1,761.10)</u>	<u>4,045.70</u>	<u>(62.30)</u>	<u>3,381.24</u>

Explanations:

The funds provided by the Company to Hubei Beiren Printing Machinery Sales Limited, Xian Beiren Beifu Printing Machinery Sales Limited, Liaoning Beiren Printing Machinery Sales Limited, Beijing Beiren Hengtong Printing Machinery Sales Limited and Beiren Group Corporation were derived from sale of the Company's products. Of the funds provided by connected parties to the Company, RMB20,460,100 from Beiren Group Corporation were accounts payable for acquisition of No. 4 Printing Machinery Plant whereas the fund from Beijing Beiyong Printing and Casting Company Limited was derived from provision of manufacturing or supporting products and services. During the reporting period, the Company had no material connected transactions.

Of which: The fund provided by the Company to its controlling shareholders and its subsidiaries was still during the reporting period and so was the balance of that.

(VI) **Custody**

During the reporting period, the Company had no custody.

(VII) **Contracting**

During the reporting period, the Company had no contracting.

(VIII) **Leases**

During the reporting period, the Company had no material leases.

(IX) **Guarantees**

During the reporting period, the Company had no guarantees.

(X) **Asset management on trust**

During the reporting period, the Company had no asset management on trust.

(XI) Performance of publicly disclosed undertakings

The sole holder of non-circulating shares of the Company undertakes (1) it will not trade or transfer the non-circulating shares held by it within 12 months from the date of implementation of the Share Segregation Reform Proposal; (2) within 12 and 24 months, subsequent to the aforesaid period, the number of the originally non-circulating shares subsequently listed for trading on the stock exchange will not exceed 5 per cent and 10 per cent, respectively, of the total number of shares of the Company; (3) within the aforesaid period, the selling price of such shares subsequently listed on the stock exchange will not be lower than 110% (RMB4.29/share) of the weighted average price of 30 trading days before the announcement of the Share Segregation Reform Proposal; and (4) any dividend payment, bonus issue and capital reserve fund conversion to share capital that constituted to the suspension of trading rights and dividend from the date of implementation of the Share Segregation Reform Proposal till the disposal of shares shall be subject to the suspension of the trading rights.

During the reporting period, the sole holder of non-circulating shares of the Company has strictly performed the undertakings it made in the course of the share reform.

(XII) Appointment and removal of accountants

During the reporting period, the Company did not change its accountants.

(XIII) Punishments and rectification on the Company, the Board of Directors or the Directors

During the reporting period, none of the Board or the Directors was subject to checks by the CSRC or any administrative punishments, nor had they been criticised in any way or publicly reprimanded by any stock exchange.

(XIV) Other significant events**1. Loans**

The deposit of RMB5,000,000 was placed with China Venturetech Investment Company, of which RMB3,898,500 was recovered as at 30 June 2006. Bad debt arising from it amounted to RMB1,101,500. The deposit of RMB5,000,000 placed with Yin Peng Cooperative Credit Union, Bai Yin, Gansu Province was not recovered and is still in the process of liquidation by the relevant authorities. The said deposit represented approximately 0.4% of the Company's net assets and will have no material effect on the Company's operations. The Company has made a provision for loss of RMB3,500,000.

2. Audit Committee

The Audit Committee of the Board has reviewed the Company's unaudited 2006 interim report.

3. Code on Corporate Governance Practices

During the reporting period, the Company has been in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). However, the Company has not appointed an accountant who must be a fellow or associate member of Hong Kong Institution of Certified Public Accountants pursuant to Rule 3.24 of the Listing Rules. The Company has not yet identified and appointed an appropriate candidate.

4. Model Code for securities transactions by Directors and Supervisors

During the reporting period, the Company has adopted a set of code of practice regarding securities transactions by Directors and supervisors on terms no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Appendix 10 to the Listing Rules. Having made specific enquiry to all Directors and supervisors of the Company, each of the Directors and supervisors has complied with the required standards set out in the Model Code within the 6 months ended 30 June 2006.

5. During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

(XV) Access to discloseable information

Events	Newspaper	Date of publishing	Websites and search path
Summary of the Share Segregation Reform Proposal of the Company	Shanghai Securities News, China Securities Journal, Securities Times	2006-02-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
Notice of the Board of Directors on Relevant A Shareholders' Meeting for purpose of the Share Reform	Same as above	2006-02-13	Same as above
Notice of the Board of Directors on Investors' Online Meeting for Purpose of the Share Reform	Same as above	2006-02-13	Same as above
The Company's Announcement of the Communication on the Share Segregation Reform Proposal and the Adjusted Share Segregation Reform Proposal	Shanghai Securities News Shanghai Securities Journal	2006-02-22	Same as above
The Company's first Indicative Announcemen tof Relevant Shareholders' Meeting of the A Share Market for Purpose of the Share Reform	Same as above	2006-03-03	Same as above
Announcement in Relation to the Approval of Beijing Municipal State-owned Assets Supervision and Administration Commission on the Share Segregation Reform Proposal by the Board of Directors of the Company	Same as above	2006-03-15	Same as above
The Company's second Indicative of Relevant Shareholders' Meeting of the Announcement A Share Market for purpose of the Share Reform	Same as above	2006-03-15	Same as above
The Company's Announcement of the Voting Results of the Relevant Shareholders' Meeting of the A Share Market for purpose of the Share Reform	Same as above	2006-03-21	Same as above
The Company's Announcement in Relation to the Implementation of the Share Segregation Reform Proposal	Same as above	2006-03-28	Same as above
Summary of the Company's 2005 Annual Report	Shanghai Securities News, Hong Kong Economic Times and The Standard	2006-04-21	Website of Shanghai Stock Exchange (www.sse.com.cn) Website of the Stock Exchange (www.hkex.com.hk)
The Company's Announcement of Resolutions Passed at the 7th Meeting of the Fifth Board	Same as above	2006-04-21	Same as above
Announcement of Resolutions of the Supervisory Committee	Same as above	2006-04-21	Same as above
The Company's 2005 Annual Report	Same as above	2006-04-21	Same as above
The Company's 2006 First Quarterly Report	Same as above	2006-04-27	Same as above
The Company's Announcement of Resolutions Passed at the 8th Meeting of the Fifth Board	Same as above	2006-04-27	Same as above
The Company's Announcement of Expected Profit Reduction in 2006 Interim Results by the Board of Directors	Same as above	2006-04-27	Same as above
The Company's Notice of the 2005 Annual General Meeting	Same as above	2006-05-12	Same as above

The Company's Notice of Domestic Shareholders Extraordinary General Meeting for 2006	Same as above	2006-05-12	Same as above
The Company's Notice of H Shareholders Extraordinary General Meeting for 2006	Same as above	2006-05-12	Same as above
The Company's Announcement of Resolutions Passed at the 2005 Annual General Meeting	Same as above	2006-06-28	Same as above
The Company's Announcement of Resolutions Passed at 2006 Domestic Shareholders Extraordinary General Meeting for 2006	Same as above	2006-06-28	Same as above
The Company's Announcement of Resolutions Passed at H Shareholders Extraordinary General Meeting for 2006	Same as above	2006-06-28	Same as above
The Company's Announcement of dividend distribution for A Shares	Shanghai Securities News	2006-08-28	Website of Shanghai Stock Exchange (www.sse.com.cn)