



北人印刷機械股份有限公司

BEIREN PRINTING MACHINERY HOLDINGS LIMITED

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 187)

## 2005 INTERIM REPORT (SUMMARY)

### IMPORTANT NOTICE

- The board of directors of Beiren Printing Machinery Holdings Limited (the “Company”) and the directors of the Company (the “Directors”) warrant that this report does not contain any false information, misleading statements or material omission and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the contents herein contained.

This interim results announcement has been prepared in accordance with the information of the interim report 2005 of the Company. The full text of the report is also published on the website of the Stock Exchange of Hong Kong Limited (website: <http://www.hkex.com.hk>). Investors are advised to read the full text of the interim report for detailed information.

- Mr. Lu Changan (Vice Chairman) did not attend the meeting due to work duty, and appointed Mr. Zhu Wuan (Chairman) to attend the meeting and exercise the voting rights on his behalf.
- The financial statements contained in the interim report are unaudited.
- Mr. Zhu Wuan, the Chairman, Mr. Wang Guohua, the General Manager, and Mr. Jiang Jianming, Head of the Finance Department, have declared that they guarantee the truthfulness and completeness of the financial statements contained in the interim report.

## I. COMPANY INFORMATION

### Short form of the

Company's listed shares	Beiren Shares	Beiren Printing
Stock code	600860	187
Place for listing of shares	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited

### Secretary to the Board of Directors / Securities Affairs Representative

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## II. FINANCIAL STATEMENTS (PREPARED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN HONG KONG)

### Condensed consolidated income statement

For the six months ended 30 June 2005

	<i>Notes</i>	<b>The six months ended 30 June</b>	
		<b>2005</b>	<b>2004</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Turnover	2	<b>495,310</b>	549,682
Cost of sales		<b>(360,135)</b>	(384,377)
Gross profit		<b>135,175</b>	165,305
Other operating income		<b>2,977</b>	9,408
Distribution costs		<b>(20,411)</b>	(25,837)
Administrative expenses		<b>(69,451)</b>	(71,405)
Profit from operations		<b>48,290</b>	77,471
Financial expenses		<b>(6,047)</b>	(5,234)
Share of results of associates		<b>2,035</b>	412
Gain on disposal of an associate		<b>—</b>	721
Profit before taxation	4	<b>44,278</b>	73,370
Income tax expenses	5	<b>(5,392)</b>	(10,342)
Profit for the period		<b>38,886</b>	63,028
Attributable profit for the period:			
Equity holders of the parent company		<b>38,398</b>	61,496
Minority interests		<b>488</b>	1,532
		<b>38,886</b>	63,028
Earnings per share-basic	7	<b>RMB9.10 cent</b>	RMB14.57cent

# Condensed Consolidated Balance Sheet

As at 30 June 2005

	<i>Notes</i>	<b>30 June 2005</b> <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2004 <i>RMB'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment		<b>693,421</b>	708,560
Construction in progress		<b>50,253</b>	38,491
Goodwill		<b>3,135</b>	3,135
Intangible assets		<b>2,085</b>	2,604
Interests in associates		<b>10,246</b>	8,427
Other assets		<b>8,518</b>	8,518
Prepaid lease payments			
on land use rights		<b>85,391</b>	83,665
Deferred tax assets		<b>22,221</b>	19,746
		<b>875,270</b>	873,146
Current assets			
Inventories		<b>680,001</b>	624,227
Accounts receivable, prepayments			
and other receivables		<b>404,451</b>	333,208
Amounts due from associates		<b>21,072</b>	26,411
Amounts due from minority			
shareholders of subsidiaries		<b>9,349</b>	10,095
Prepaid lease payments			
on land use rights		<b>2,068</b>	2,068
Pledge bank deposits		<b>13,700</b>	—
Bank balances and cash		<b>104,838</b>	157,078
		<b>1,235,479</b>	1,153,087

Current liabilities		
Accounts payable	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
Amount due to an associate	6,566	24,074
Amounts due to minority shareholders of subsidiaries	4,098	3,394
Income tax payable	3,602	6,858
Provision for other taxes and levies	13,906	31,960
Dividends payable	33,760	—
Borrowings - due within one year	277,085	215,787
	<u>784,950</u>	<u>688,310</u>
Net current assets	<u>450,529</u>	<u>464,777</u>
Total assets less current liabilities	<u>1,325,799</u>	<u>1,337,923</u>
Capital and reserves		
Share capital	8 422,000	422,000
Reserves	850,613	845,975
	<u></u>	<u></u>
Interest attributable to equity holders of the parent company	1,272,613	1,267,975
Minority interests	46,186	45,698
	<u></u>	<u></u>
Total equity	1,318,799	1,313,673
Non-current liabilities		
Borrowings - due after one year	7,000	24,250
	<u>7,000</u>	<u>24,250</u>
	<u>1,325,799</u>	<u>1,337,923</u>

## 1. 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 revaluation 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 Company.

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

## 2. 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
	<i>RMB'000</i>	<i>RMB'000</i>
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)
	<u>495,310</u>	<u>549,682</u>

## 3. Segment Information

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

#### 4. Profit before taxation

The following items have been charged (credited) to profit before taxation for the period:

	For six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
Depreciation and amortisation	24,739	23,022
Impairment losses recognised in respect of property, plant and equipment	—	942
Share of the PRC income tax of associates	216	161
Interest income	(358)	(875)
Gain on disposal of property, plant and equipment	(1,054)	—

#### 5. Income tax expenses

	For six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
Taxation including:		
Provision of PRC income tax for the year	7,867	11,371
Deferred tax credit	(2,475)	(1,029)
	5,392	10,342

The Company is subject to the PRC enterprise income tax levied at a rate of 15% (2004: 15%) of the taxable income. All the domestic subsidiaries are subject to the PRC income tax levied at a rate as specified under the rules and regulations of the PRC.

The Group does not incur any significant tax liability in any other jurisdiction.

#### 6. Dividends

The Company approved the 2004 profit distribution scheme at the annual general meeting on 8 June 2005. The total dividends amounted to RMB33,760,000. The Directors did not recommend payment of interim dividend for the reporting period.

#### 7. Earnings per share-basic

The calculation of basic earnings per share distributable to holders of ordinary shares 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 the number of 422,000,000 shares in issue for the period (2004: 422,000,000 shares).

## 8. 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
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100,000,000 ordinary H shares of RMB1 each	100,000
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	<hr/> 422,000 <hr/>
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## 9. Others

### (1) Liquidity and sources of capital

The Company's net cash outflow from operating business for the six months ended 30 June 2005 amounted to RMB55,026,000.

As at 30 June 2005, the Company's total loans amounted to RMB284,085,000, of which RMB277,085,000 will fall due within one year, RMB7,000,000 will fall due in August 2007. The aforesaid loans were all fixed interest rate loans denominated in Renminbi.

The gearing ratio of the Company as at 30 June 2005 was 37.52% calculated on its total liabilities and total assets.

### (2) Staff employment

As at 30 June 2005, the Company had approximately 2,970 employees, of which 1,692 were production staff, representing 56.97% of the total number of employees. Remuneration packages are structured with reference to the industry practice and individual's performance. Apart from the basic remuneration, bonus may be granted to the eligible with reference to the Company's results as well as individual performance.

### (3) The Company's assets pledged

As at 30 June 2005, the Company's time deposit, properties, plants and equipment and construction in progress with a total value of approximately RMB52,669,875.23 (31 December 2004: RMB30,563,853.63) were pledged for bank acceptance and bank loans.

### (4) 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.

### (5) Contingent liabilities

As at 30 June 2005, the Company did not have any material contingent liabilities.



# **10. The Effect on the Condensed Financial Statements Arising from the Differences Between PRC Accounting Standards and Hong Kong Accounting Standards**

	Net profit		Net assets as at	
	for the six months ended			
	30.6.2005	30.6.2004	30.6.2005	31.12.2004
	RMB'000	RMB'000	RMB'000	RMB'000
As reported under PRC accounting standards	35,636	59,000	1,267,296	1,265,422
Adjustments made to conform with Hong Kong accounting standards:				
— difference in valuation of net assets contributed to the Company by BGC, the ultimate holding company	—	—	(60,198)	(60,198)
— consequential adjustment on net assets contributed by BGC	156	73	48,301	48,145
— difference in valuation of capital contribution to subsidiaries	16	16	(305)	(321)
— difference in valuation of other asset	—	—	(6,374)	(6,374)
— difference in recognition of deferred taxation	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)
— minority interests as a component in the equity	488	1,532	46,186	45,698
— others	115	1,602	(1,463)	(1,580)
	<u>38,886</u>	<u>63,028</u>	<u>1,318,799</u>	<u>1,313,673</u>
As reported under Hong Kong accounting standards	<u>38,886</u>	<u>63,028</u>	<u>1,318,799</u>	<u>1,313,673</u>

## **III. MANAGEMENT DISCUSSION AND ANALYSIS**

### **(I) Business review**

- In accordance with the accounting principles generally accepted in Hong Kong (“HK GAAP”), revenue from principal operations was RMB495,310,000 and net profit amounted to RMB38,886,000.

2. On 11 May 2005, the Company exhibited series of products on the Sixth Beijing International Printing Technology Fair including sheet-fed offset printing presses, web-fed offset printing presses, intaglio printers and soft cover presses. A total of 13 products were showcased, including sheet-fed 4-colour offset presses, two ply 4-colour offset presses, four ply 4-colour offset presses, single-fed glazing machine and shaftless medium-size newspaper presses. Such market-targeted, high-grade and sophisticated products with good cost performance and stable quality demonstrated the Company's leading position in the industry and its strength in building a global renowned proprietary brand. Both of the Company's new arrivals on exhibition, the high-grade single-fed two ply multi-colour (plus glazing) BEIREN300 offset press and the four ply 4-colour BEIREN200 offset press, have attained the printing speed of 15,000 pieces/hour. Thanks to the shaftless technology, the high-grade small-size newspaper presses with printing speed of 45,000 rounds/hour and the high-grade medium-size newspaper presses with printing speed of 75,000 copies/hour have filled the blank in the domestic production and market. The FR-300 high-speed unit intaglio printer, another new proprietary product of the Company mainly used in multi-colour printing on film (20-60um) and paper (30-80g/m<sup>2</sup>), is one of the most advanced intaglio printers in the PRC.
3. A remarkable progress was seen in the Company's partnership and cooperation. The commercial revolving presses jointly produced with GI (USA) were widely recognised in the American market, and were well applauded by domestic users in the sixth Beijing International Printing Technology Exhibition. BEIREN75A medium-size newspaper presses jointly developed with Seiken Graphics Inc. technology (Japan) is expected to launch to the market within the year. Such successful partnership and cooperation have consolidated the manufacturing technology strength of Beiren web-fed offset printing presses, laying a solid foundation for the Company's long term development.
4. During the reporting period, the Company carried out a strict examination on the implementation of its Budget Approval System whereby each management goal was broken down. Recognising the key role of effective internal control in attaining its objectives, the Company carried out controlling activities such as approval, authorisation, verification, reconciliation, review of operating results and safety of assets which are necessary in assisting the management to implement operating strategies. This has ensured the dynamic implementation of budgets and strictly limited the off-budget expenditure.

## **(II) Operational difficulties and solutions**

Intensifying competition was observed in the market during the reporting period. On the one hand, the regular product market was saturated and began to shrink, where total demands declined. On the other hand, demands for high-end multi-colour presses are increasing with the rapid development of the domestic printing market and the continuous technological renovation of printing houses. To address market competitions and increase its market share of high-end products, the Company adjusted the product mix. However, the underdeveloped sales scale of high-end products, together with the increasing costs, had an adverse impact on the Company's profitability. Faced with such unfavourable factors, the Company took the follows initiatives:

1. With efforts in marketing focusing on promotion and inducing on potential customer base, the Company implemented CRM (Customer Relationship Management) system to utilise and respond quickly to the market information and customer demand. By establishing scientific after-sale service procedures, marketing activities were enhanced at economical cost of human resources and assets with improved sales revenue.
2. the Company accelerated its improvement in existing products and development of new products to satisfy the market demands, securing more market shares.
3. the Company strengthened cost management to curb expenses for cost reduction, offsetting the burden from the increased provision for depreciation as a result of new plant construction.

## **(III) Business outlook for the second half of 2005**

1. Capitalising on its technological strengths and with introduction of advanced foreign technology, the Company will speed up development of new products based on the leading technology. With focus on the domestic and overseas market demands, the Company will extend the use life of regular products and improve the performance and stability of medium- and high-grade products through technology innovation and improvement.
2. Product quality concerns a lot for the Company's existence and development and is a systematic engineering project, which shall be assured throughout each process from design to technique to manufacture. The Company will speed up the treatment of product quality feedback, uncovering the causes of quality problems to continuously lift product quality to the expected level.
3. Leveraging CRM's advanced marketing philosophy and technology platform, the Company will take initiatives in marketing engineering as well as regulation and organisation frameworks, aiming to reinforce and expedite after-sale services based on the one-stop service system for customer satisfaction.

4. The Company will continue to strengthen and rationalise fundamental management to increase its anti-risk capability and cater for the volatile and changing market.

#### **IV. SIGNIFICANT EVENTS**

1. During the reporting period, the Company did not involve in any material litigation or arbitration.
2. During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold, redeemed or wrote off any of the Company's listed securities.
3. The Audit Committee of the Board has reviewed the Company's unaudited 2005 interim report.
4. During the reporting period, none of the Directors, Supervisors and senior management of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or had exercised any such right as at 30 June 2005.
5. 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 identified and appointed an appropriate candidate.

**Beiren Printing Machinery Holdings Limited**  
**Zhu Wuan**  
*Chairman*

25 August 2005  
Beijing, China

As at the date of the announcement, the Company's directors comprise Mr. Zhu Wuan, Mr. Lu Changan, Mr. Wang Guohua, Mr. Yu Baogui, Mr. Yang Zhendong, Mr. Jiang Jianming, Mr. Deng Gau, Mr. Wu Wenxiang\*, Mr. Wu Hongzuo\*, Madam Li Yijing\* and Mr. Shi Tiantao.\*

\* *Independent non-executive director*