



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)

2006 THIRD QUARTERLY REPORT

1. IMPORTANT NOTICE

- 1.1 The board of directors (the "Board") of Beiren Printing Machinery Holdings Limited (the "Company") and its directors confirm that there are no misleading statements, misrepresentation or material omissions contained in this report, and collectively and individually accept responsibility for the truthfulness, accuracy and completeness of the contents therein.
- 1.2 All of the directors of the Company (the "Directors") attended the meeting of the Board.
- 1.3 The third quarterly financial report of the Company is unaudited.
- 1.4 Mr. Wang Guohua, the Chairman, Mr. Zhang Peiwu, the General Manager and Mr. Jiang Jianming, the Chief Accountant have confirmed the truthfulness and completeness of the financial reports in this quarterly report.

2. COMPANY PROFILE

2.1 Corporate information

Stock abbreviation of A Shares	Beiren Shares
Stock code of A Shares	600860
Stock abbreviation of H Shares	Beiren Printing
Stock code of H Shares	187

Secretary of the Board

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Representative in charge of securities affairs

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2.2 Financial information

2.2.1 Major financial information and financial indicators

Unit: Rmb

	As at the end of the reporting period	As at the end of the previous reporting period	Increase or decrease as at the end of the reporting period as compared with the end of the previous reporting period (%)
Total assets	2,187,582,079.02	2,127,384,112.13	2.83
Shareholders' fund (excluding: minority interests)	1,265,114,623.15	1,280,500,032.83	-1.20
Net assets per share	3.00	3.04	-1.32
Adjusted net assets per share	2.95	3.00	-1.67

	During the reporting period (Jul-Sept)	From the beginning of the year to the end of the reporting period (Jan-Sept)	Increase or decrease as compared with the corresponding period of the previous year (%)
Net cash inflow from operating activities	51,601,514.46	49,887,822.26	133.30
Earnings per share	0.009	0.033	-75.68
Return on net assets (%)	0.30	1.11	Decreased by 0.93 percentage points
Return on net assets after deducting non-recurring items (%)	0.41	0.91	Decreased by 0.85 percentage points

Extraordinary items

Amount

Income (loss) from disposal of long term equity investment, fixed assets, construction in progress, intangible assets and other long term assets	-740,551.16
Other non-operating incomes and expenses, net of provision for impairment of assets	-259,109.91
Reversal of provision for impairment of assets of prior years	3,932,760.97
Income tax effect	149,949.16
Minority interests	-478,251.89
Total	2,604,797.17

2.2.2 Income statement

Unit: Rmb (Unaudited)

Item	Consolidated		Parent Company	
	During the reporting period (Jul-Sept)	Corresponding period of last year (Jul-Sept)	During the reporting period (Jul-Sept)	Corresponding period of last year (Jul-Sept)
1. Revenue from principal activities	222,532,615.91	176,624,460.81	141,384,464.33	119,576,429.77
Less: Cost of sales from principal activities	175,419,684.88	130,882,147.70	114,739,505.85	88,002,231.99
Business taxes and surcharges	794,404.96	2,241,492.45	540,490.99	2,139,643.60
2. Profit from principal activities (losses are represented by "-")	46,318,526.07	43,500,820.66	26,104,467.49	29,434,554.18
Add: Profit from other operations (losses are represented by "-")	236,158.87	861,164.72	492,845.99	1,398,901.67
Less: Operating activities	15,073,473.49	9,500,401.18	7,830,723.30	5,349,728.08
General and administration expenses	26,140,361.34	14,568,020.65	17,603,035.78	9,653,549.55
Financial expenses	2,042,672.74	2,973,253.94	716,097.70	2,045,728.80
3. Operating profit (losses are represented by "-")	3,298,177.37	17,320,309.61	447,456.70	13,784,449.42
Add: Investment income (losses are represented by "-")	662,759.62	1,299,882.36	2,425,082.67	4,308,017.48
Subsidy income	—	—	—	—
Operating income	-371,863.02	88,884.57	29,370.00	26,989.08
Less: Non-operating expenses	218,453.79	485,549.00	93,388.17	432,146.74
4. Total profit (losses are represented by "-")	3,307,620.18	18,223,527.54	2,808,521.20	17,687,309.24
Less: Income tax	-1,086,939.67	2,107,839.44	-927,101.54	1,779,387.22
Less: Minority interests	623,309.95	327,181.11	—	—
Add: Unrecognized investment losses (consolidated)	—	—	—	—
5. Net profit (losses are represented by "-")	3,771,249.90	15,788,506.99	3,735,622.74	15,907,922.02

Unit: Rmb (Unaudited)

Item	Consolidated		Parent Company	
	During the reporting period (Jan-Sept)	Corresponding period of last year (Jan-Sept)	During the reporting period (Jan -Sept)	Corresponding period of last year (Jan -Sept)
1. Revenue from principal activities	737,058,239.35	663,867,047.10	504,243,917.17	477,829,175.67
Less: Cost of sales from principal activities	573,172,862.42	482,370,080.24	398,764,272.92	341,970,163.50
Business taxes and surcharges	3,978,096.90	4,773,903.15	3,232,551.62	3,878,357.15
2. Profit from principal activities (losses are represented by “-”)	159,907,280.03	176,723,063.71	102,247,092.63	131,980,655.02
Add: Profit from other operations (losses are represented by “-”)	2,045,227.64	2,246,081.35	2,759,495.29	2,586,342.54
Less: Operating activities	42,514,015.85	29,239,651.59	22,465,445.85	17,085,223.50
General and administration expenses	96,020,750.20	82,709,933.41	62,025,360.96	55,422,971.83
Financial expenses	10,508,174.21	8,950,013.24	6,484,572.60	5,550,456.67
3. Operating profit (losses are represented by “-”)	12,909,567.41	58,069,546.82	14,031,208.51	56,508,345.56
Add: Investment income (losses are represented by “-”)	609,050.66	2,914,797.65	2,262,127.80	5,453,781.33
Subsidy income	—	—	—	—
Operating income	509,445.54	1,341,880.89	226,089.55	366,251.07
Less: Non-operating expenses	-2,731,444.55	1,016,172.19	506,826.44	818,477.42
4. Total profit (losses are represented by “-”)	16,759,508.16	61,310,053.17	16,012,599.42	61,509,900.54
Less: Income tax	2,220,464.68	9,758,658.88	1,740,103.02	9,195,104.36
Less: Minority interests	478,251.89	126,681.12	—	—
Add: Unrecognized investment losses (consolidated)	—	—	—	—
5. Net profit (losses are represented by “-”)	14,060,791.59	51,424,713.17	14,272,496.40	52,314,796.18

2.3 Total number of shareholders and top 10 holders of listed shares not subject to trading moratorium as at the end of the reporting period (after completion of share reform plan)

Unit: share

Total number of shareholders as at the end of the reporting period 37,332 shareholders (including: 37,228 A-share shareholders, 104 H-share shareholders)

Particulars of the top 10 holders of listed shares not subject to trading moratorium

Name of shareholders (full name)	Number of listed shares not subject to trading moratorium held as at the end of the reporting period	Class of shares
HKSCC NOMINEES LIMITED	97,689,199	Overseas listed foreign shares
HSBC NOMINEES (HONG KONG) LIMITED	702,000	Overseas listed foreign shares
HAO HONG PROPERTY	674,300	RMB ordinary shares
ZHU ZI YUN	400,000	RMB ordinary shares
HUI DAU YU	400,000	Overseas listed foreign shares
CHEN LIU HANG	310,000	RMB ordinary shares
ZHOU JING	275,000	RMB ordinary shares
LI MEI LI	255,021	RMB ordinary shares
CHEN LEI	238,100	RMB ordinary shares
TAO YUN JIE	235,932	RMB ordinary shares

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Brief analysis of the overall operation during the reporting period

During the reporting period, under intense competition, the Company put more effort in sales by adopting various sales services. As a result, net income from principal operations and net profit of RMB737,058,200 and RMB14,060,800 respectively were recorded.

3.1.1 Principal business or products accounting for over 10% of the income or profit from principal operations

☒ Applicable ☐ Not applicable

Unit: Rmb (Unaudited)

By product	Income from principal operations	Cost of principal operations	Gross profit margin (%)
Sale of flat paper printers	359,289,622.38	301,930,449.91	15.96
Sale of rolling paper printers	172,695,726.77	122,086,982.60	29.31
Sale of intrusion printers	136,297,709.80	105,158,043.16	22.85
Sale of form-printing machines	63,308,025.96	49,612,745.59	21.63
Printing business	14,111,318.40	10,027,356.68	28.94
Of which: the following are connected transactions	5,529,914.53	4,039,349.50	26.95

Pricing principle of connected transaction Based on sales prices that make reference to market prices of similar market

3.1.2 Seasonal or periodic characteristics of the operation of the Company

☐ Applicable ☒ Not applicable

3.1.3 Profit structure during the reporting period (disclosure as to any significant changes in percentages of profit from principal operations, profit from other operations, expenses for the period, investment income, subsidy income and net non-operating income to the total profit compared to those of the previous reporting period and the reasons for such changes).

☒ Applicable ☐ Not applicable

The general and administration expenses increased dramatically, mainly due to R&D expenses for pilot manufacturing of new product sampling machines accounted into the general and administration expenses as R&D expenses.

3.1.4 Significant changes of the principal operations and their structure compared to those of the previous reporting period and the reasons therefor

☐ Applicable ☒ Not applicable

3.1.5 Significant change in profitability (gross profit margin) of principal operations compared that of the previous reporting period and the reasons therefor

☒ Applicable ☐ Not applicable

The Company expects the accumulated net profit from the beginning of the year to the end of next reporting period will possibly decrease significantly over the same period last year due to fierce competition in production market of printing machines, price adjustment of products and soaring price of raw material.

3.2 Significant events and analysis on their impact and solutions

☐ Applicable ☒ Not applicable

3.3 Disclosure as to and reasons for changes in accounting policies, accounting estimates, consolidations and significant accounting errors

☐ Applicable ☒ Not applicable

3.4 Relevant explanations by the Board and the supervisory committee in respect of “qualified” audit opinion

☐ Applicable ☒ Not applicable

3.5 Warning and explanation on reasons for accumulated net loss expected to be recorded from the beginning of the year to the end of the next reporting period and material change as compared to those of the same period of last year

☐ Applicable ☒ Not applicable

3.6 Adjustments to the annual operating plan or budget disclosed

☐ Applicable ☒ Not applicable

3.7 Special undertakings by the original holder of non-circulating shares for the State Share Reform and the performance

☐ Applicable ☒ Not applicable

Name of shareholder	Special undertakings	Performance
Beiren Group Corporation	The Company completed the State Share Reform on 31 March 2006. The sole holder of non-circulating share of the Company undertakes that, within 12 months from the day of implementation at the share reform plan, it would not trade or transfer the non-circulating shares of the Company held by it, and that, within 12 and 24 months, respectively, subsequent to the aforesaid period, the number of the originally non-circulating shares subsequently listed for trading on the stock exchange would not exceed 5 per cent and 10 per cent, respectively, of the total number of shares of the Company. It also undertook that the selling price listed on the stock exchange during the above period shall not be lower than 110% of the average closing price of 30 business days before the announcement of the share reform plan. Any dividend payment, bonus issue, capital reserve fund conversion to share capital that constituted to the the suspension of trading rights and dividend from the date of implementation of share reform plan to the disposal of shares shall be subject to the suspension of the trading rights.	During the reporting period, the sole holder of non-circulating share of the Company strictly performed the undertakings in the State Share Reform.

3.8 Schedule of the State Share Reform for the unreformed companies as at the date of this quarterly report

☐ Applicable ☒ Not applicable

Explanatory notes for the unreformed companies as at the date of this quarterly report

☐ Applicable ☒ Not applicable

Beiren Printing Machinery Holdings Limited
Wang Guohua
Legal representative

Beijing, the PRC
26 October 2006

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

* *Independent non-executive director*

Please also refer to the published version of this announcement in The Standard / Hong Kong Economic Times.