

# 2008

## Annual Report



Company Mission: To satisfy the demand for printing machinery products and services from users; to benefit the society and our shareholders, employees and customers as a whole; to ensure the maximization of our shareholders' gain.



**北人**  
**BEIREN**

**北人印刷機械股份有限公司**  
**BEIREN PRINTING MACHINERY HOLDINGS LIMITED**



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## IMPORTANT NOTES

1. The board of directors (the “Board”), the Supervisory Committee and the directors (the “Directors”), supervisors and senior management of Beiren Printing Machinery Holdings Limited (the “Company”) warrant that there are no false representations or misleading statements contained in or material omission from this report and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the contents herein contained.
2. 10 out of 11 directors eligible to participate in the meeting attended the meeting in person. Independent Non-executive Director Mr. Xie Bingguang was absent from the meeting due to business engagement and had appointed Independent Non-executive Director Mr. Wang Deyu to attend the meeting and vote on his behalf.
3. ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited respectively issued a standard unqualified auditor’s report, respectively, in accordance with PRC accounting standards and Hong Kong Financial Reporting Standards and disclosure requirements of the Hong Kong Companies Ordinance.
4. Mr. Pang Liandong, the Chairman, Mr. Zhang Peiwu, the General Manager, and Mr. Duan Yuangang, the Chief Accountant, have declared that they guarantee the truthfulness and completeness of the financial statements contained in the annual report.

# INTRODUCTION TO THE COMPANY

## (I) INFORMATION RELATED TO THE COMPANY

1. Legal Chinese name of the Company: 北人印刷機械股份有限公司  
Chinese abbreviation: 北人股份  
Legal English name: Beiren Printing Machinery Holdings Limited  
English abbreviation: BR
2. Company's legal representative: Pang Liandong
3. Company Secretary to the Board of Directors: Jiao Ruifang  
Telephone: 010-67802565  
Facsimile: 010-67802570  
E-mail: beirengf@beirengf.com  
Contact address: No. 6 Rong Chang Dong Street,  
Beijing Economic and Technological Development Zone,  
Beijing, the People's Republic of China (the "PRC")
- Representative in charge of securities affairs: Lu Ruiping  
Telephone: 010-67802565  
Facsimile: 010-67802570  
E-mail: beirengf@beirengf.com  
Contact address: No. 6 Rong Chang Dong Street,  
Beijing Economic and Technological Development Zone,  
Beijing, the People's Republic of China (the "PRC")
4. Registered address of the Company: No. 6 Rong Chang Dong Street,  
Beijing Economic and Technological Development Zone,  
Beijing, the PRC  
Office address of the Company: No. 6 Rong Chang Dong Street,  
Beijing Economic and Technological Development Zone,  
Beijing, the PRC  
Postal code: 100176  
Company's international internet website: <http://www.beirengf.com>  
E-mail: beirengf@beirengf.com
5. Name of newspapers designated for dissemination of company information: Shanghai Securities News  
Internet website for publishing annual report: <http://www.sse.com.cn>, <http://www.hkexnews.hk>  
Place for preparation and reference of annual reports: Secretariat of the Board of Directors of  
Beiren Printing Machinery Holdings Limited
6. Place of listing of the Company's A Shares: Shanghai Stock Exchange  
Abbreviated name of A Shares: 北人股份  
Stock code for A Shares: 600860  
Place of listing for the Company's H Shares: The Stock Exchange of Hong Kong Limited  
Abbreviated name of H Shares: Beiren Printing  
Stock code for H Shares: 0187

## INTRODUCTION TO THE COMPANY

### (I) INFORMATION RELATED TO THE COMPANY *(Continued)*

7. Other related information:	
Date of first business registration of the Company:	13 July 1993
Place of first business registration of the Company:	Chaoyang District, Beijing, the PRC
Date of change in business registration of the Company:	24 December 2003
Place of change in business registration of the Company:	Beijing, the PRC
Business registration number:	110000005015956
Tax registration number:	Jing Guo Shui Chao Zi 110105101717457
Corporate Organizational Structure Code:	101717457
Domestic auditors of the Company:	ShineWing Certified Public Accountants
Address of domestic auditors of the Company:	9/F, Block A, Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing, the PRC
Overseas auditors of the Company:	SHINEWING (HK) CPA Limited
Address of overseas auditors of the Company:	16/F, United Centre, 95 Queensway, Hong Kong
Domestic legal adviser of the Company:	China Kang Da Law Firm
Address of domestic legal adviser of the Company:	No. 19, Jianguomenwai Dajie, Chaoyang District, Beijing, the PRC
Overseas legal adviser of the Company:	Woo, Kwan, Lee & Lo
Address of overseas legal adviser of the Company:	26/F, Jardine House, Central, Hong Kong
Reception of shareholder enquiries:	10th and 20th of each month (or on the following business day if it falls on a public holiday) (Closed on Saturday and Sunday) 9:00-11:00a.m. 2:00-4:00p.m.

### (II) COMPANY BACKGROUND

#### 1. History

The Company is a joint stock company established by Beiren Group Corporation as the sole promoter. On 13 July 1993, the Company incorporated in the Administration Bureau of Industry and Commerce. The Company was approved to become a joint stock limited company established by public offer of shares domestically and in Hong Kong on 16 July 1993 with regard to the approval document Ti Gai Sheng (1993) No. 118 from the State Commission for Restructuring Economic System. Pursuant to the approval of the China Securities Regulatory Commission (“CSRC”) of the State Council and other relevant authorities, the Company issued H Shares in Hong Kong in 1993 and A Shares in Shanghai in 1994. The H Shares were listed on The Stock Exchange of Hong Kong Limited in 1993 and the A Shares were listed on the Shanghai Stock Exchange in 1994. Upon the approval of document Zheng Jian Fa Hang Zi [2002] No. 133 issued by China Securities Regulatory Commission (“CSRC”) in 2002, the Company issued 22,000,000 additional A Shares which were listed on the Shanghai Stock Exchange on 16 January 2003. On 20 March 2006, the Company’s the shareholders’ general meeting approved share segregation reform in the A-share market. Trading in the Company’s A shares resumed on 31 March 2006.

#### 2. Scope of business operations

Development, design, manufacturing and sales of printing presses, pressing machines, packing machines, business forms printing presses, commercial revolving presses, commercial soft cover presses, intaglio presses, the parts and components for the aforesaid machines; technical consultancy, technical support; management of the export of own enterprises’ and member enterprises’ self-produced products and technology; the import of own enterprises and member enterprises production of the required auxiliary materials, instruments and meters, machines, parts and components and technology (apart from those products restricted by the State from import and export); processing on customer-supplied materials and “processing raw materials on clients demands, assembling parts for clients and processing according to clients’ samples or compensation trade”.

# SUMMARY OF ACCOUNTING AND OPERATIONAL DATA

## (I) MAJOR ACCOUNTING FIGURES

Unit: Rmb

Item	Amount
Operating profit	-294,761,354.42
Total profit	-288,406,836.49
Net profit attributable to shareholders of listed company	-263,141,611.27
Net profit attributable to shareholders of listed company after extraordinary items	-269,010,827.39
Net cash flow from operating activities	12,237,975.94

## (II) MAJOR ACCOUNTING FIGURES AND FINANCIAL INDICATORS FOR THE PAST THREE YEARS

Unit: Rmb

	2008	2007	Increase/ decrease in 2008 as compared with 2007 (%)	2006 After adjustment	2006 Before adjustment
Income from principal operations	<b>759,050,785.96</b>	1,071,509,754.56	-29.16	978,316,596.33	978,316,596.33
Total profit	<b>-288,406,836.49</b>	10,243,036.16	-2,915.64	-103,038,226.07	-87,257,826.20
Net profit attributable to shareholders of listed company	<b>-263,141,611.27</b>	9,278,498.87	-2,936.04	-103,129,983.00	-87,894,795.85
Net profit attributable to shareholders of listed company after extraordinary items	<b>-269,010,827.39</b>	-5,342,489.03	-4,935.31	-103,106,001.01	-93,878,476.30
Basic earnings per share (Rmb/share)	<b>-0.62</b>	0.02	-3,200.00	-0.24	-0.21
Diluted earnings per share (Rmb/share)	<b>-0.62</b>	0.02	-3,200.00	-0.24	-0.21
Basic earnings per share after extraordinary items (Rmb/share)	<b>-0.64</b>	-0.01	-6,300.00	-0.24	-0.22
Returns on net assets on fully diluted basis (%)	<b>-29.34</b>	0.80	Decreased by 30.14 percentage points	-8.96	-7.54
Returns on net assets on weighted average basis (%)	<b>-25.56</b>	0.80	Decreased by 26.36 percentage points	-8.39	-7.11
Return on net assets on fully diluted basis after extraordinary items (%)	<b>-29.99</b>	-0.46	Decreased by 29.53 percentage points	-8.96	-8.06
Return on net assets on weighted average basis after extraordinary items (%)	<b>-26.13</b>	-0.46	Decreased by 25.67 percentage points	-8.38	-7.59
Net cash flow from operating activities	<b>12,237,975.94</b>	24,301,793.67	-49.64	35,321,461.11	35,321,461.11
Net cash flow per share from operating activities (Rmb/share)	<b>0.029</b>	0.058	-50.00	0.084	0.084

## SUMMARY OF ACCOUNTING AND OPERATIONAL DATA

### (II) MAJOR ACCOUNTING FIGURES AND FINANCIAL INDICATORS FOR THE PAST THREE YEARS *(Continued)*

*Unit: Rmb*

	2008	2007	Increase/ decrease in 2008 as compared with 2007 (%)	2006 After adjustment	2006 Before adjustment
Total asset	<b>1,959,518,162.60</b>	2,216,816,579.29	-11.61	2,135,853,138.75	2,132,913,615.40
Equity interest of owners (or shareholders' equity)	<b>896,867,102.34</b>	1,161,039,825.84	-22.75	1,150,879,765.66	1,165,310,630.15
Net asset per share attributable to shareholders of listed company (Rmb/share)	<b>2.13</b>	2.75	-22.55	2.73	2.76

### (III) DEDUCTING EXTRAORDINARY ITEMS AND AMOUNT

*Unit: Rmb*

Extraordinary items	Amount	Notes
Profit (loss) from disposal of non-current assets	3,236,657.48	
Government subsidy accounted into profit and loss for the current period, other than those closely associated with the operations of the Company which were accounted for in fixed amount or volume in compliance with the requirements of the policies of the State and in accordance with uniform standard of the state	630,980.63	
Other non-operating income or expenses	2,080,584.16	
Other profit and loss items qualified as extraordinary items	-79,006.15	(1) Write-back of impairment provisions for receivables which had been tested for impairment individually; (2) additional provision for income tax expense of the Company's subsidiary Shaanxi Beiren for 2007 in accordance with "Authentication Report on Tax Returns for the Settlement and Payment of Enterprise Income Tax" (Shan Hua Xin Wei Shui Zi (2008) No. 06) issued by Shanxi Huaxin Tax Firm
Minority interests	404,215.54	
Total	6,273,431.66	



## SUMMARY OF ACCOUNTING AND OPERATIONAL DATA

### (IV) DIFFERENCES BETWEEN THE PRC AND HONG KONG FINANCIAL REPORTING STANDARDS

Unit: RMB'000

Items	Net assets		Net profit	
	Current year	Previous year	Current year	Previous year
As reported under the Hong Kong Financial Reporting Standards	882,351	1,148,748	-265,426	5,192
1. Difference in valuation of assets contributed to the Company by Beiren Group Corporation	60,198	60,198	0.00	0.00
2. Subsequent amortisation of difference in valuation of assets contributed to the Company by Beiren Group Corporation	-48,409	-48,343	-66	-66
3. Difference in valuation of assets contributed to subsidiaries	197	228	-31	-31
4. Difference in recognition of good will upon acquisition of a subsidiary	-4,479	-4,479	0.00	0.00
5. Difference in amortisation of goodwill upon acquisition of a subsidiary	4,479	1,344	3,135	0.00
6. Difference in recognition of deferred tax	0.00	-1,622	1,622	0.00
7. Difference in recognition of transfer of impairment of assets	0.00	1,730	-1,730	1,730
8. Others	2,530	3,236	-646	2,453
Prepared under Accounting Standard for Business	896,867	1,161,040	-263,142	9,278

During the year, the financial impact of differences between the PRC and Hong Kong Financial Reporting Standards on the net profit of the Company was RMB2,284,000. The main differences are as follows:

- (1) Adjustment in valuation of assets contributed by Beiren Group Corporation: In accordance with Hong Kong Financial Reporting Standards, the land developing expense contributed by Beiren Group Corporation to the Company was accounted for as capital reserve. In accordance with Accounting Standards for Business Enterprises, the amount was recorded as the increase in long term deferred expenses. Accordingly, the related amortization charge of RMB66,000 for the year was written back in the accounts by the Company.
- (2) Difference in valuation of assets contributed to subsidiaries: In accordance with Hong Kong Financial Reporting Standards, the intangible assets invested by the Company into the subsidiaries with original cost of RMB4,624,000 should be written off. In accordance with Accounting Standards for Business Enterprises, the intangible assets were stated as assets of the Group. Accordingly, the related amount of amortization of RMB31,000 for the year was written back in the accounts by the Company.
- (3) In December 2001, the Company consolidated Shaanxi Beiren Printing Machinery Ltd., Co. by purchasing. The purchase cost exceeded the fair value of the recognizable net assets RMB 3,135,000, and the exceeded amount was recognized as Goodwill under Hong Kong Financial Reporting Standards. In the current year, in accordance with the financial budget for the forecoming 5 years made by Shaanxi Beiren Printing Machinery Ltd., Co., the Goodwill arose from the consolidation was withdrawn for the impairment provision fully. Under the China Accounting Standards for Business Enterprise, the accounting treatments mentioned above were not performed yet.



## SUMMARY OF ACCOUNTING AND OPERATIONAL DATA

### (IV) DIFFERENCES BETWEEN THE PRC AND HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

- (4) Before 1 January 2007, the Company recognized the deferred tax assets of RMB 1,622,000. After 1 January 2007, the Company adopted China Accounting Standards for Business Enterprise, and stopped recognizing deferred tax assets with considering that the forecoming profits would not be enough to offset the accumulated losses. The Company has a larger net loss for the current year; therefore, all the deferred tax assets recognized in the previous years were reversed fully in accordance with Hong Kong Financial Reporting Standards.

# MOVEMENT OF SHAREHOLDERS' EQUITY AND INFORMATION OF SHAREHOLDERS

## (I) CHANGES IN SHARE CAPITAL

Unit: Share

	Before change		Increase/decrease in this change (+/-)				After change		
	Number	Percentage	Issue of new shares	Conversion			Number	Percentage	
		(%)		Bonus issue	from reserves	Others		Sub-total	(%)
I. Shares subject to trading moratorium									
1. State-owned shares									
2. State-owned legal person shares	201,540,000	47.76				-21,100,000	-21,100,000	180,440,000	42.76
3. Other domestic shares									
Including:									
Domestic non-state-owned legal person shares									
Domestic public shares									
4. Foreign shares									
Including:									
Overseas legal person shares									
Overseas public shares									
Total shares subject to trading moratorium	201,540,000	47.76				-21,100,000	-21,100,000	180,440,000	42.76
II. Circulating shares not subject to trading moratorium									
1. Renminbi ordinary shares	120,460,000	28.55				21,100,000	21,100,000	141,560,000	33.55
2. Foreign shares listed domestically									
3. Foreign shares listed overseas	100,000,000	23.69				0	0	100,000,000	23.69
4. Others									
Total shares not subject to trading moratorium	220,460,000	52.24				21,100,000	21,100,000	241,560,000	57.24
III. Total shares	422,000,000	100				0	0	422,000,000	100

Note: Change in shareholding and note:

Share Segregation Reform of the Company was approved by related general meeting on 20 March 2006 and implemented on 29 March 2006 as the share record date, and the Company resumed listing for the first time after the implementation on 31 March 2006. According to the Share Segregation Reform, shares subject to trading moratorium held by the Company were 222,640,000 shares, of which 21,100,000 shares were listed for circulation on the market on 5 June 2006 and 21,100,000 Shares were Listed for circulation on the market on 22 May 2008, and the nature of shareholding has changed accordingly. Announcement of Listing of Circulating Shares subject to Trading Moratorium of the Beiren Printing Machinery Holdings Limited was disclosed by the Company on 30 May 2007 and 20 May 2008.

## MOVEMENT OF SHAREHOLDERS' EQUITY AND INFORMATION OF SHAREHOLDERS

### (I) CHANGES IN SHARE CAPITAL *(Continued)*

#### Change in restricted circulating shares

*Unit: Share*

Name of shareholder	No. of restricted circulating shares at the beginning of the year	No. of restricted circulating shares released during the year	No. of additional restricted circulating shares during the year	No. of restricted circulating shares at the end of the year	Reason for restriction	Expiry date of restriction
Beiren Group Corporation	201,540,000	21,100,000	0	180,440,000	Share Segregation Reform	22 May 2008
Total	201,540,000	21,100,000	0	180,440,000	/	/

### (II) SECURITY ISSUE AND LISTING

#### 1. Status of security issue for the past three years

For the past three years ended 31 December 2008, the Company had not engaged in security issue or listing.

#### 2. Changes in total number of shares and the shareholding structure of the Company

During the reporting period, the total number of shares of the Company remained unchanged. 21,100,000 shares subject to trading moratorium were listed for circulation on 22 May 2008 due to the Share Segregation Reform, resulting in change in the shareholding structure. See "1. Change in shareholding and note" in "IV. (I) Changes in Share Capital" in this section for detail.

#### 3. Existing internal employee shares

There was no internal employee share in the Company at the end of the reporting period.

#### 4. The Company's share prices during the period

(1)	H Shares prices in 2008:	
	Opening price at beginning of year:	HK\$ 2.69
	Closing price at end of year:	HK\$ 0.70
	Highest price:	HK\$ 3.61
	Lowest price:	HK\$ 0.40
(2)	A Shares prices in 2008:	
	Opening price at beginning of year:	Rmb 10.14
	Closing price at end of year:	Rmb 2.79
	Highest price:	Rmb 13.78
	Lowest price:	Rmb 2.10

## MOVEMENT OF SHAREHOLDERS' EQUITY AND INFORMATION OF SHAREHOLDERS

### (III) SHAREHOLDERS AND BENEFICIAL CONTROLLER

#### 1. Number of shareholders and their shareholding

Unit: Share

**Total number of shareholders at the end of the reporting period:** 31,228 (including: 31,132 A share holders and 96 H share holders)

#### Particulars of top ten shareholders

Name of shareholders	Nature of shareholder	Percentage to share capital (%)	Number of shares held	Increase/decrease during the reporting period	Number of shares subject to trading moratorium	Number of shares pledged or frozen
Beiren Group Corporation	State-own legal person	52.76	222,640,000	0	180,440,000	Nil
HKSCC NOMINEES LIMITED	unknown	23.40	98,747,199	-294,000	0	unknown
李德偉	unknown	0.5	2,118,500	2,118,500	0	unknown
伍志強	unknown	0.19	820,000	820,000	0	unknown
蘇國榮	unknown	0.19	785,000	118,140	0	unknown
北廣電子	unknown	0.17	722,100	722,100	0	unknown
廖敬秋	unknown	0.15	647,400	647,400	0	unknown
江少珠	unknown	0.09	392,300	392,300	0	unknown
梁健恩	unknown	0.09	363,200	363,200	0	unknown
章涵紅	unknown	0.08	351,900	351,900	0	unknown

#### Particulars of top 10 holders of shares not subject to trading moratorium

Unit: Share

Name of shareholder	Number of circulating shares held	Class of shares
HKSCC NOMINEES LIMITED	98,747,199	Foreign shares listed overseas
Beiren Group Corporation	42,200,000	Renminbi ordinary shares
李德偉	2,118,500	Renminbi ordinary shares
伍志強	820,000	Renminbi ordinary shares
蘇國榮	785,000	Renminbi ordinary shares
北廣電子	722,100	Renminbi ordinary shares
廖敬秋	647,400	Renminbi ordinary shares
江少珠	392,300	Renminbi ordinary shares
梁健恩	363,200	Renminbi ordinary shares
章涵紅	351,900	Renminbi ordinary shares

## MOVEMENT OF SHAREHOLDERS' EQUITY AND INFORMATION OF SHAREHOLDERS

### (III) SHAREHOLDERS AND BENEFICIAL CONTROLLER *(Continued)*

#### 1. Number of shareholders and their shareholding *(Continued)*

The explanation of the connected relation and action in concert among the aforesaid shareholders

The Company is not aware of any connected relationship among the top ten holders of circulating shares, nor is the Company aware of any parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders.

The Company is not aware of any connected relationship between the top ten holders of circulating shares and the top ten shareholders, nor is the Company aware of any parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders.

- ① Among the top ten shareholders of the Company, Beiren Group Corporation is the controlling shareholder of the Company.
- ② HKSCC Nominees Limited held shares on behalf of its clients and the Company has not been notified by HKSCC Nominees Limited that there was any holder of H Shares who separately held 5% or more of the total share capital of the Company.
- ③ None of the shareholders holding 5% or more of the Company's shares are in position where their shares have been pledged or locked up.
- ④ There was no change in respect of shareholders holding 5% or more of the Company's shares.
- ⑤ Save as disclosed above, as far as the Directors are aware, as at 31 December, 2008 none of the persons (not being a Director, supervisor or chief executive of the Company) has any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.
- ⑥ Purchase, sale or redemption of the Company's listed securities  
  
During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.
- ⑦ Pre-emptive rights  
  
There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.
- ⑧ Convertibles, options, warrants or other similar rights  
  
As of 31 December 2008, the Company did not issue any convertible securities, options, warrants or any other similar right.

## MOVEMENT OF SHAREHOLDERS' EQUITY AND INFORMATION OF SHAREHOLDERS

### (III) SHAREHOLDERS AND BENEFICIAL CONTROLLER *(Continued)*

#### 1. Number of shareholders and their shareholding *(Continued)*

##### Particulars of Shares held by Top 10 Holders of Shares subject to Trading Moratorium and Trading Moratorium

*Unit: share*

No.	Names of holder of shares subject to trading moratorium	No. of shares subject to trading moratorium held	Particulars of shares subject to trading moratorium available for listing and trading		Trading moratorium
			Trading moratorium expiry date	No. of additional shares available for listing and trading after expiring of trading moratorium	
1	Beiren Group Corporation	222,640,000	5 June 2007 31 March 2008 31 March 2009	21,100,000 42,200,000 222,640,000	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; within 12 and 24 months, subsequent to the aforesaid period, the number of the originally noncirculating 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; 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 circulating A shares 30 trading days before the announcement of the Share Segregation Reform Proposal.

## MOVEMENT OF SHAREHOLDERS' EQUITY AND INFORMATION OF SHAREHOLDERS

### (III) SHAREHOLDERS AND BENEFICIAL CONTROLLER *(Continued)*

#### 2. Controlling shareholder and beneficial controller

##### (1) Status of the legal person controlling shareholder

*Unit: RMB0'000*

<u>Name</u>	<u>Legal representative</u>	<u>Registered capital</u>	<u>Date of incorporation</u>	<u>Principle activities</u>	<u>Registered address</u>
Beiren Group Corporation	Deng Gang	20,026.6	16 July 1992	Manufacturing and sale of printing presses, packing machines, pressing machines and related products and components, technical development, technical consultancy, services, operation of the import and export businesses related to the production of own enterprises, subcontracting work for overseas printing machinery projects and domestic projects by international tendering.	No. 44 Guangqu Road South, Chaoyang District, Beijing

##### (2) Status of legal beneficial controller

*Unit: RMB0'000*

<u>Name</u>	<u>Legal representative</u>	<u>Registered capital</u>	<u>Date of incorporation</u>	<u>Principle activities</u>	<u>Registered address</u>
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Li Jisheng	135,901.5	8 September 1997	State-own assets operation and management within the scope of authorization; operation of title (ownership); external financing and investment.	No. 59 Dongsanhuan Road Central, Chaoyang District, Beijing



## MOVEMENT OF SHAREHOLDERS' EQUITY AND INFORMATION OF SHAREHOLDERS

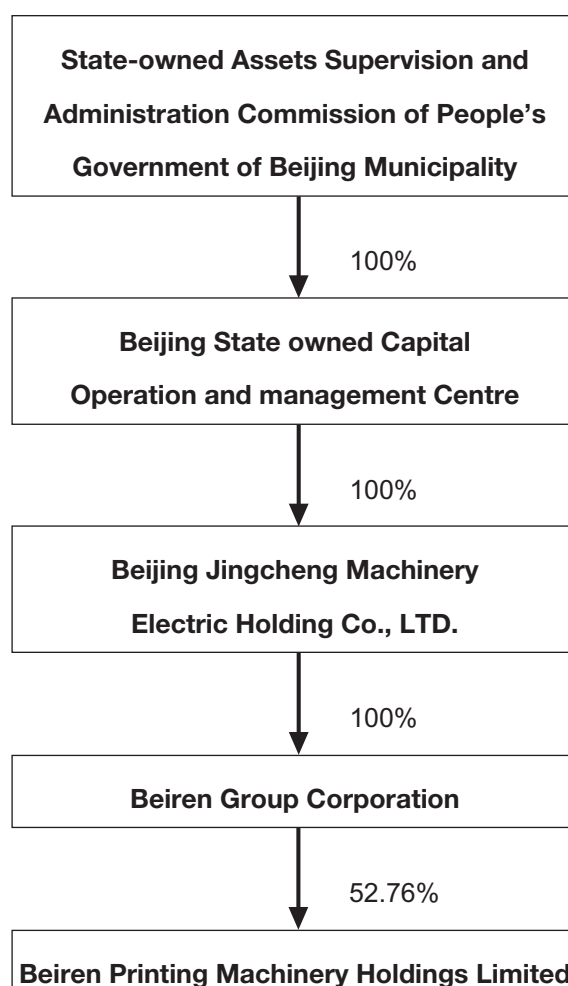
### (III) SHAREHOLDERS AND BENEFICIAL CONTROLLER *(Continued)*

#### 2. Controlling shareholder and beneficial controller *(Continued)*

##### (3) Changes in status of controlling shareholder and beneficial controller

There was no change in the controlling shareholder and the beneficial controller of the Company during the reporting period.

##### (4) Property right and controlling relationship between the Company and beneficial controller



##### 3. Details of other legal person shareholders holding 10% or more of shares

As at the end of this reporting period, the Company did not have any legal person shareholder holding 10% or more of its shares.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## (I) DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

*Unit: share*

Name	Position	Sex	Age	Appointment date	End date of appointment	Shareholdings		Increase/decrease	Reason of change	Remuneration before tax received from the Company during the reporting period (Rmb0'000)	Whether receiving any remuneration or allowance from shareholder entities or other associated entities
						at the beginning of the year	at the end of the year				
Pang Liandong	Chairman	Male	59	2009-01-08	2011-07-13	0	0	0		0	Yes
Deng Gang	Vice Chairman	Male	43	2008-07-14	2011-07-13	0	0	0		0	Yes
Bai Fan	Director	Male	39	2008-07-14	2011-07-13	0	0	0		0	Yes
Zhang Peiwu	Director and General Manager	Male	45	2008-07-14	2011-07-13	0	0	0		32.3	No
Yu Baogui	Director	Male	59	2008-07-14	2011-07-13	5,796	5,796	0		0	Yes
Yang Zhendong	Director and Deputy General Manager	Male	46	2008-07-14	2011-07-13	0	0	0		23.6	No
Duan Yuangang	Director and Chief Accountant	Male	34	2009-01-08	2011-07-13	0	0	0		4.15 (Sep-Dec 08)	No
Xu Wencai	Independent Non-executive Director	Male	51	2008-07-14	2011-07-13	0	0	0		0	No
Wang Hui	Independent Non-executive Director	Female	47	2008-07-14	2011-07-13	0	0	0		0	No
Xie Bingguang	Independent Non-executive Director	Male	53	2008-07-14	2011-07-13	0	0	0		0	No
Wang Deyu	Independent Non-executive Director	Male	34	2008-07-14	2011-07-13	0	0	0		0	No
Xiao Maolin	Chairman of the Supervisory Committee	Male	59	2008-07-14	2011-07-13	0	0	0		0	Yes
Guo Xuan	Supervisor	Male	38	2008-07-14	2011-07-13	0	0	0		7.47	No
Shao Zhenjiang	Supervisor	Male	35	2008-07-14	2011-07-13	0	0	0		8.9	No
Jiao Ruitang	Secretary to the Board of Directors	Female	31	2008-07-14	2011-07-13	0	0	0		22.4	No
Kong Dagang	Deputy General Manager	Male	50	2008-07-14	2011-07-13	0	0	0		23	No
Liu Jing	Deputy General Manager	Male	52	2008-07-14	2011-07-13	0	0	0		23	No
Total	/	/	/	/	/	5,796	5,796	0	/	144.82	/

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### I) DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Unit: share

Name	Position	Sex	Age	Appointment date	End date of appointment	Shareholdings		Increase/decrease	Reason of change	Remuneration before tax received from the Company during the reporting period (Rmb'000)	Whether receiving any remuneration or allowance from shareholder entities or other associated entities
						at the beginning of the year	Shareholdings at the end of the year				
Wang Guohua	Chairman	Male	45	2008-07-14	2008-11-20	1,656	1,656	0		0	Yes
Lu Chang'an	Vice Chairman	Male	60	2005-07-14	2008-07-13	6,624	6,624	0		0	Yes
Jiang Jianming	Director and Chief Accountant	Male	53	2008-07-14	2008-10-14	0	0	0		20.85 (Jan-Oct 08)	No
Wu Wenxiang	Independent Non-executive Director	Male	74	2005-07-14	2008-07-13	0	0	0		3	No
Wu Hongcho	Independent Non-executive Director	Female	62	2005-07-14	2008-07-13	0	0	0		5	No
Li Yijing	Independent Non-executive Director	Female	57	2005-07-14	2008-07-13	0	0	0		3	No
Shi Tiantao	Independent Non-executive Director	Male	46	2005-07-14	2008-07-13	0	0	0		3	No
Xue Kexin	Supervisor	Male	43	2005-07-14	2008-07-13	0	0	0		3.49 (Jan-Jul 08)	No
Tian Furen	Supervisor	Male	60	2005-07-14	2008-07-13	4,258	4,258	0		2.39 (Jan-Jul 08)	No

#### 1. Explanations:

- (1) None of the directors, supervisors and senior management had been granted equity interest as an incentive by the Company during the reporting period.
- (2) Save as disclosed above, none of the directors, supervisors and senior management or any of their associates, as at 31 December 2008, had any interest in the shares of the Company or its associated corporations (as defined in the SFO). None of the directors and supervisors or their spouse or children under the age of 18 was granted any right to acquire securities of the Company or had exercised any such right.
- (3) As at the balance sheet date or at any time during the year, none of the directors and supervisors of the Company was directly or indirectly interested in any material contract of the Company other than the service contracts mentioned below.
- (4) Save as those set out in the register required to be maintained by directors and supervisors under section 352 of the SFO of Hong Kong, during the year, the Company did not engage in any arrangement which would enable the directors or supervisors of the Company or any other corporation to acquire any interest in any shares or debt securities of the Company, nor did the directors or supervisors had any interest which was required to be recorded in the register under the SFO.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### I) DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

#### 1. Explanations: *(Continued)*

- (5) Save as disclosed above, none of the directors, supervisors and senior management of the Company, as at 31 December 2008, had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Part XV of SFO) which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required to notify to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.
- (6) Save as disclosed above, none of any other 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 31 December 2008.

#### 2. Service contracts of directors and supervisors

The directors and supervisors have entered into written contracts with the Company, the main contents of which are as follows:

- (1) Each contract for the directors of the Sixth Board of Directors and supervisors of the Sixth Supervisory Committee is for a term commencing from 14 July 2008 to 13 July 2011.
- (2) The basic salary of executive directors of the Sixth Board who hold senior management positions in the Company will range from Rmb150,000 to Rmb200,000 for the first year of their tenure. The basic salary for the second and third year of their tenure will be adjusted based on the performance of the Company, where the maximum will not exceed 120% of the basic salary of the previous year and the minimum will not be less 90% of the basic salary of the first year of tenure. The amount of their year-end bonus will be determined at the sole discretion of the Board, realised based on the execution of Performance Contract entered into between the senior management and the Board each year. The annual fee of independent non-executive directors is Rmb40,000. The annual fee of non-executive directors does not exceed Rmb40,000. The annual fee of supervisors of the Company does not exceed Rmb40,000.
- (3) The directors of the Company perform their duties in an honest, trustworthy and diligent manner, and to the best interests of the Company and all shareholders. The supervisors of the Company execute their duties as supervisors with due diligence and strictly perform their obligations and exercise their power.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### I) DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

#### 3. Profiles of directors, supervisors and senior management during the last five years:

Pang Liandong, Chinese nationality, male, aged 59, Chairman, MBA, a senior Economist. Mr. Pang was the Deputy Plant Manager and Plant Manager of the third Printing Machinery factory of Beiren Printing Machinery Holdings Limited; a director and assistant to the General Manager of the Company and the Manager of a single-sheet subsidiary of Beiren Printing Machinery Holdings Limited; the Deputy General Manager of the Beiren Group Corporation; and he is now the Chairman of Beiren Group Corporation and Beiren Printing Machinery Holdings Limited. Mr. Pang has been Director of Beiren Printing Machinery Holdings Limited for 12 years and has years of experience in strategic management, corporate operation and production management.

Deng Gang, Chinese nationality, male, aged 43, Vice Chairman, a postgraduate and a senior engineer. Mr. Deng was Head of Human Resources Department of Beijing Jingcheng Machinery Electric Holding Co., LTD. He is currently General Manager and Secretary to the Party Committee of Beiren Printing Machinery Holdings Ltd., and Vice Chairman and Secretary to the Party Committee of Beiren Printing Machinery Holdings Limited. Mr. Deng has been Director of Beiren Printing Machinery Holdings Limited since July 2005 and has experience and ability in various fields including human resource management.

Bai Fan, Chinese nationality, male, aged 39, Non-executive Director an EMBA of Peking University and a senior accountant. Mr. Bai was accountant of Finance Department of Beijing Printing and Dyeing Factory (北京印染廠); finance manager of Shen Ao Equipment Power Company (申奧設備動力公司); Assistant to Manager of Shanghai Textile Industry Bureau (上海市紡織工業局); Deputy Director and Chief Accountant of Beijing Printing and Dyeing Factory. He had been Deputy Chief Accountant and Head of Finance Department of Beiren Printing Machinery Holdings Limited from March 2003 to June 2005. He is currently Chief Accountant of Beijing Mechatronics Holding Company Limited. Mr. Bai has extensive experience in financial management and capital operation.

Zhang Peiwu, Chinese nationality, male, aged 45, Executive Director and General Manager, a postgraduate in printing mechanics, a senior economist. Mr. Zhang taught in Xi'an University of Technology of Shaanxi Province and was Deputy General Manager and Legal Representative of Sichuan Printing Materials Company (四川省印刷物資公司), Manager of China Printing Materials Corporation (中國印刷物資總公司), assistant to General Manager of Beiren Group Corporation and served concurrently as the General Manager of Operation and Sales Company. He started working in Beiren Printing Machinery Holdings Limited from September 2006. He is currently Director and General Manager of Beiren Printing Machinery Holdings Ltd. He has years of experience in marketing and administration.

Yu Baogui, Chinese nationality, male, aged 58, Non-executive Director, a post-secondary graduate and a political work engineer. Mr. Yu has been a Director and the Chairman of the Labour Union of Beiren Group Corporation and Beiren Printing Machinery Holdings Ltd. since 1996. He has over 10 years' experience in production management and employees' relations.

Yang Zhendong, Chinese nationality, male, aged 46, Executive Director and Deputy General Manager, a master in engineering and an engineer at professor grade. Mr. Yang was the Deputy Chief and Chief Engineer of Research Institute of the Company. He is currently Director and Deputy General Manager of the Company. Mr. Yang started working in Beiren Printing Machinery Holdings Limited from August 1985 and has years of experience in product design and management.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### I) DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

#### 3. Profiles of directors, supervisors and senior management during the last five years: *(Continued)*

Duan Yuangang, Chinese nationality, male, aged 34, Executive Director and Chief Accountant obtained a degree in Financial Accounting and Fiscal Taxation, a master degree in Finance, and is a senior accountant. Mr. Duan Yuangang was the Accountant Supervisor and deputy General Accountant of Beijing Electric Motor General Corporation (北京市電機總廠); the Chief Accountant of Beijing B.J. Electric Motor Co., Ltd.; and the Head of audit department and planning & finance department of Beijing Jingcheng Mechanical & Electrical Holding Co., Ltd. Mr. Duan started working in Beiren Printing Machinery Holdings Limited from September 2008. He is currently the Director and Chief Accountant of Beiren Printing Machinery Holdings Limited. Mr. Duan Yuangang has extensive experience in financial management.

Xu Wencai, Chinese nationality, male, aged 51, Independent Non-executive Director, an MS and a professor. Mr. Xu stayed in Shaanxi Mechanics College (陝西機械學院) as a teacher after graduating from printing mechanics. He was Chief of Printing and Packaging Engineering Department and Head of Packaging Engineering of Xi'an University of Technology (西安理工大學) in 1995 and afterwards transferred to Beijing Printing College (北京印刷學院) in 1998. He is currently assistant to Chief of Beijing Printing College, and Chief of Printing and Packaging Engineering College, Head of Printing and Packaging Materials and Technology Beijing Key Laboratory, Chief Editor of "Beijing Printing College Journal (《北京印刷學院學報》)". Xu Wencai was granted first prize of the 8th "Sen Ze Xin Fu Printing Technology Awards (森澤信夫印刷技術獎)" in 2001, special government subsidy granted by the State Council in 2001, and Outstanding Contribution to Packaging Science and Education Award of "20 Years of China's Modern Packaging Engineering (中國現代包裝工程二十年)" in 2007.

Wang Hui, Chinese nationality, female, aged 47, Independent Non-executive Director, a postdoctor, a deputy researcher. Ms. Wang was technician and engineer of Tianjin Engineering Mechanics Institute of Department of Mechanics; Chief of Quality Control Section, Chief of Technology Department of Guangdong Shunde Zhenhua Automotive Rearview Mirror Limited of China Auto Corporation; Chief of Technology Innovation and Development and Research Center of Economic and Management College of Tsinghua University; senior manager of China Huarong Asset Management Corporation; senior business director of Debenture Business Department, General Manager of M&A Business and Management Department, senior manager of Institutional Enterprise M&A and Development Strategy Department of China Securities Co., Ltd. She is now Vice-president of Jiujiu Holdings Limited.

Xie Bingguang, Chinese nationality, male, aged 52, Independent Non-executive Director, an LLM, a solicitor. Mr. Xie is now Head and senior solicitor of Beijing Hualian Law Firm, and interceder of China International Trade Arbitration Commission and International Chamber of Commerce of China; arbitrator of Beijing Arbitration Commission; member of Criminal Committee of All China Lawyers Association; member of Civil Law Affairs Committee of Beijing Municipal Lawyers Association; member of Real Estate Affairs Committee of Beijing Municipal Lawyers Association; and director of Beijing Law Society and Economic Society.

Wang Deyu, Chinese nationality, male, aged 34, Independent Non-executive Director, an MBA, a qualified Chinese Certified Public Accountant. Mr. Wang was loan officer of Yantai branch of Bank of China; auditor of Zeng Fu Cheng Accounting Firm (曾福成會計公司) in Singapore; special assistant to General Manager of Yantai Wanhua Polyurethanes Co., Ltd.; Senior Consultant of BearingPoint (Shanghai) Limited; and manager of PricewaterhouseCoopers (Beijing) Company. He is currently Financial Director of Sichuan Lessin Department Store Ltd.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### I) DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

#### 3. Profiles of directors, supervisors and senior management during the last five years: *(Continued)*

Xiao Maolin, Chinese nationality, male, aged 59, Chairman of the Supervisory Committee, a postgraduate and an economist. Mr. Xiao has been Secretary to the Disciplinary Committee of Beiren Group Corporation and Chairman of Supervisory Committee of Beiren Printing Machinery Holdings Ltd since 1998. He has over 20 years' experience in corporate management.

Guo Xuan, Chinese nationality, male, aged 38, supervisor, a university graduate of BS and an engineer. Mr. Guo was Head of the Production Section of the Gear Plant of Beiren Printing Machinery Holdings Ltd, Deputy Director of Human Resources Department of Beiren Printing Machinery Holdings Ltd, Deputy General Manager of Singlesheetfed Offset Printing Presses Manufacture Branch, and General Manager of the Third Manufacture Subsidiary; and Head of the Business Administration and Operation Department of Beiren Printing Machinery Holdings Ltd. Mr. Guo started working in Beiren Printing Machinery Holdings Limited from October 1992. He is currently Assistant to General Manager and Head of Human Resources Department of Beiren Printing Machinery Holdings Limited. Mr. Guo has experience in human resources management and corporate management.

Shao Zhenjiang, Chinese nationality, male, aged 35, Employee Supervisor, an MBA and an engineer. Mr. Shao was Head of Technology Department, Deputy Chief Engineer and Chief Engineer of Singlesheetfed Offset Printing Presses Manufacture Branch of Beiren Printing Machinery Holdings Ltd. Mr. Shao started working in Beiren Printing Machinery Holdings Limited from August 1995. He is currently Standing Deputy General Manager of Singlesheet-fed Offset Printing Presses Branch of Beiren Printing Machinery Holdings Limited. Mr. Shao has years of experience in product design and management.

Jiao Ruifang, Chinese nationality, female, aged 31, Secretary to the Board of Directors, a Bachelor in Economics graduated from Harbin University of Science and Technology, and a senior project manager. She is studying the Qinghua-The Chinese University of Hong Kong MBA in Financial Services Programme. She was Head of corporate planning of Beijing Beizhong Steam Turbine Generator Company Limited; Consultative Manager and Project Manager of Beijing Jinhaitai Capital Market Research Centre (北京金海泰資本市場研究中心); and head of Strategic Planning and head of Asset Investment of Beijing Jingcheng Machinery Electric Holding Co., LTD. She started working in Beiren Printing Machinery Holdings Limited from October 2006. She is now secretary to the Board of Directors of Beiren Printing Machinery Holdings Ltd. She has work experience in large-scale industry enterprises and management consultant companies, and is familiar with formulation of corporate strategy, management planning, foreign investment, internal asset reorganization.

Kong Dagang, Chinese nationality, male, aged 50, Deputy General Manager, a senior engineer of professor grade. He graduated from Xi'an University of Technology (formally known as Shaanxi Engineering College (陝西機械學院)) with degrees of Bachelor of Printing Engineering and Master of Management. He was Vice Chief Engineer of Beiren Printing Machinery Holdings Ltd and Chief Engineer of No. 1 and 3 Printing Machine Factories. He is currently General Manager of Beijing Beirenfuji Printing Machinery Company Limited; Chairman of Haimen Beirenfuji Printing Machinery Company Limited; Deputy General Manager of Beiren Printing Machinery Holdings Ltd and General Manager of Singlesheet-fed Offset Printing Press Branch. Mr. Kong started working in Beiren Printing Machinery Holdings Limited from January 1986. He was elected by the China Association for Science and Technology in February 1986 to pursue the study of corporate management in Japan for a year, and was granted the State Council Special Allowance in 2008. He has years of experience in product design and corporate management.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### I) DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

#### 3. Profiles of directors, supervisors and senior management during the last five years: *(Continued)*

Liu Jing, Chinese nationality, male, aged 52, Deputy General Manager, a university graduate in economic management, and an Engineer. He was a member of the League Committee; Deputy Head of Operation Services Department; Deputy Head of Operation Sales Department; Head of the Operation Sales Department; Deputy General Manager and General Manager of a sales company of the Company. Mr. Liu started working in Beiren Printing Machinery Holdings Limited from September 1976. He is currently Deputy General Manager of Beiren Printing Machinery Holdings Ltd. He has years of experience in the operation of sales.

### (II) POSITIONS IN SHAREHOLDER ENTITIES

Name	Name of shareholder entity	Position(s)	Date of appointment	End of appointment	Whether receiving any remuneration or allowance
Pang Liandong	Beiren Group Corporation	Chairman	2008-11-24		Yes
Deng Gang	Beiren Group Corporation	General Manager and Secretary to the Party Committee	2007-11-1		Yes
Yu Baogui	Beiren Group Corporation	Chairman of the Labour Union	2000-3-21		Yes
Xiao Maolin	Beiren Group Corporation	Secretary to the Disciplinary Committee and Deputy Secretary to the Party Committee	2000-3-21		Yes

### POSITIONS IN OTHER ENTITIES

Name	Name of entity	Position(s)	Date of appointment	End of appointment	Whether receiving any remuneration or allowance
Bai Fan	Beijing Jingcheng Machinery Electric Holding Co, Ltd.	Chief Accountant	2005-4-25		Yes



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### (III) REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### 1. Decision making process of remuneration of directors, supervisors and senior management

Proposal is made by Remuneration and Monitoring Committee of the Board, considered and approved by the Board and reported to the general meeting through the Board for consideration and approval.

#### 2. Basis for determination of remuneration for directors, supervisors and senior management

It is determined in accordance with the annual average salary of respective directors, supervisors and senior management, including the three levels of high, medium and low in the same industry, and the annual salary standard of the listed companies overseas, together with responsibilities, working hours, working missions and outstanding contributions of related persons of the Company.

#### 3. Directors and supervisors whose remunerations were not paid by the Company

<b>Name of director or supervisor whose remuneration was not paid by the Company</b>	<b>Whether remunerations were paid by shareholder entities or other related entities</b>
Pang Liandong	Yes
Deng Gang	Yes
Bai Fan	Yes
Yu Baogui	Yes
Xiao Maolin	Yes

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### (IV) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Reason of leaving
Pang Liandong	Chairman	Additional director at the general meeting, Chairman elected by the Board
Bai Fan	Director	Re-election
Duan Yuangang	Director and Chief Accountant	Additional director at the general meeting, appointed by the Board of Directors
Xu Wencai	Independent Non-executive Director	Re-election
Wang Hui	Independent Non-executive Director	Re-election
Xie Bingguan	Independent Non-executive Director	Re-election
Wang Deyu	Independent Non-executive Director	Re-election
Guo Xuan	Supervisor	Re-election
Shao Zhenjiang	Supervisor	Re-election
Wang Guohua	Chairman	Resigned as Chairman of the Company due to busy working schedule
Jiang Jianming	Director and Chief Accountant	Resigned as Director and Chief Accountant of the Company due to job transfer
Lu Chang'an	Vice Chairman	Expiry of tenure of office
Wu Wenxiang	Independent Non-executive Director	Expiry of tenure of office
Li Yijing	Independent Non-executive Director	Expiry of tenure of office
Wu Hongcho	Independent Non-executive Director	Expiry of tenure of office
Shi Tiantao	Independent Non-executive Director	Expiry of tenure of office
Xue Kexin	Supervisor	Expiry of tenure of office
Tian Furen	Supervisor	Expiry of tenure of office

**Notes:**

The 2007 Annual General Meeting of the Company was held on 18 June 2008, at which re-election of the Board of Directors of the Company and re-election of the Supervisory Committee of the Company were considered and approved. Mr. Wang Guohua, Mr. Deng Gang, Mr. Bai Fan, Mr. Zhang Peiwu, Mr. Yu Baogui, Mr. Yang Zhendong, Mr. Jiang Jianming, Mr. Xu Wencai, Ms. Wang Hui, Mr. Xie Bingguan and Mr. Wang Deyu were elected as Directors of the sixth Board of Directors of the Company, among whom Mr. Xu Wencai, Ms. Wang Hui, Mr. Xie Bingguan and Mr. Wang Deyu were appointed as Independent Non-executive Directors. Mr. Xiao Maolin, Mr. Guo Xuan and Mr. Shao Zhenjiang were elected as supervisors of the sixth Supervisory Committee.

After consideration and approval in the First Session of the Sixth Board of Directors' Meeting, Mr. Wang Guohua was elected as Chairman of the sixth Board of Directors of the Company and Mr. Deng Gang was elected as Vice Chairman of the Sixth Board of Directors of the Company.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### (IV) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

After consideration and approval in the First Session of the Sixth Board of Directors' Meeting and as nominated by the Chairman, Mr. Zhang Peiwu was appointed as General Manager of the Company. Ms. Jiao Ruifang was appointed as Secretary to the Board of the Company. As nominated by the General Manager, Mr. Yang Zhendong, Mr. Kong Dagang and Mr. Liu Jing were appointed as Deputy General Manager of the Company. Mr. Jiang Jianming was appointed as Chief Accountant of the Company.

All the above personnel were elected or appointed with a term of three years commencing from 14 July 2008 to 13 July 2011.

Due to the expiry of their tenure of offices, Mr. Lu Chang'an retired as Non-executive Directors of the Company and Mr. Wu Wenxiang, Ms. Li Yijing, Mr. Wu Hongcho and Mr. Shi Tiantao retired as Independent Non-executive Directors of the Company with effect from 13 July 2008.

Due to the expiry of their tenure of offices, Mr. Xue Kexin and Mr. Tian Furen retired as supervisors of the Company with effect from 13 July 2008.

On 14 October 2008, Mr. Jiang Jianming resigned as Director and Chief Accountant of the Company due to job transfer.

On 20 November 2008, Mr. Wang Guohua resigned as Director and Chairman of the Company due to his busy working schedule.

The Board hereby extends its most sincere appreciation to the retired directors for their valuable contributions to the Company.

On 8 January 2009, Mr. Pang Liandong and Mr. Duan Yuangang were added as Directors of the Sixth Board of Directors at the first Extraordinary General Meeting of 2009. On 21 October 2008, the appointment of Mr. Duan Yuangang as Chief Accountant of the Company was considered and passed at the fourth meeting of the Sixth Board of Directors. On 8 January 2009, the election of Mr. Pang Liandong as Chairman of the Sixth Board of Directors was considered and passed at the seventh meeting of the Sixth Board of Directors, with a term of office commencing from 8 January 2009 to 13 July 2011.

### (V) DETAILS OF THE STAFF

Total number of existing employees	2,363	Number of retired staff who incurred expenses of the Company	2,456
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The structure of staff is as follows:

#### 1. Professional

Professional type	Number of persons
Production staff	1,258
Sales staff	127
Technical staff	241
Financial staff	41
Management staff	270
Others	426

#### 2. Educational Background

Education level	Number of persons
Master's degree	37
University graduates	753
Secondary technical graduates	192
Others	1,381

# CORPORATE GOVERNANCE AND GOVERNANCE REPORT

## (I) CORPORATE GOVERNANCE

During the reporting period, the Company had been constantly improving its corporate governance structure and standardizing its corporate operation practices in strict accordance with Company Law, Securities Law, and the Listing Rules on Shanghai Stock Exchange and on Hong Kong Exchanges and other laws and regulations. The Company amended the Implementation Rules of Special Committees of the Board of Directors and established the Code of Practice of General Managers and the System of Work on the Annual Report of Independent Directors. Currently, there is no discrepancy in the actual condition of the corporate governance of the Company and the regulatory documents in relation to governance of listed companies issued by China Securities Regulatory Commission (CSRC). Major aspects of corporate governance are as follows:

### 1. In relation to shareholders and general meetings

The Company is able to treat all shareholders equally with due respect and protect their interests. In particular, medium and minority shareholders are entitled to their status and fully exercise their rights with their legal interests being protected. The Company ensures that shareholders are entitled to their right of access to information and right to participate in decision-making in respect of material events of the Company as required by laws and administrative rules and regulations. By following the relevant requirements set out in the Rules of Procedure for the General Meeting, it can be ensured that general meetings are convened and held in a legal, regulated and orderly manner and, in respect of voting for connected transactions, related persons are arranged to abstain from voting in accordance with relevant requirements so as to ensure that connected transactions are open, equal and fair.

### 2. In relation to controlling shareholders and the listed company

The Company has independent business and self operating capacity. The major shareholders of the Company strictly regulate their behaviours and have not surpassed the general meetings to directly or indirectly intervene in the decision-making and operating activities of the Company. The connected transactions conducted between the Company and the major shareholders are fair and reasonable. The Company and the major shareholders achieved independence in the five aspects including personnel, assets, finance, organisations and business. The Board of Directors, Supervisory Committee and internal organisations operate independently among each other. The Company has established a long-term mechanism which prevents major shareholders and their subsidiaries from appropriating the capital of the listed company and harming the interests of the listed company.

### 3. In relation to directors and the Board of Directors

The Board of Directors of the Company comprises 11 directors, of which 4 are independent non-executive directors. The Board has set up the Strategic Committee, the Audit Committee, the Nomination Committee and the Remuneration and Monitoring Committee. During the reporting period, all directors were able to perform their obligations seriously in a trustworthy and diligent manner. The Board exercised its power in strict conformity with the requirements of laws, rules and regulations and the Articles of Association to ensure the regulated operation of the Company. Proposals put forward at the Board meetings were sufficiently discussed and resolved in a scientific, prompt and careful manner. Directors of the Company were selected and appointed in strict accordance with the required procedures set out in the Articles of Association. According to the requirements of the Standard of Corporate Governance for PRC Listed Companies, the Company has fully utilised the function the Special Committees of the Board of Directors and the four independent non-executive directors pursuant to the relevant requirements of the Rules of Procedure for the Board of Directors, Detailed Implementation Rules for the Special Committees of the Board of Directors and Working System for Independent Directors.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (I) CORPORATE GOVERNANCE *(Continued)*

#### 4. In relation to supervisors and the Supervisory Committee

The Supervisory Committee of the Company comprises 3 supervisors, of which 2 are shareholders representative supervisors and 1 is staff representative supervisor. The Supervisory Committee of the Company is committed to being responsible for all shareholders. With financial supervision as the core, the Supervisory Committee supervise the directors, general managers and senior management of the Company to safeguard the assets of the Company, reduce financial risks and protect the legal interests of the Company and the shareholders. The Supervisory Committee has the capacity to carry out extensive communication with shareholders, staff and other stakeholders so as to ensure the launch of supervisory work. The Rules of Procedure for the Supervisory Committee formulated by the Company facilitates the exercising of power of the supervisors. The Supervisory Committee convenes regular meetings and extraordinary meetings in strict conformity with rules and procedures.

#### 5. In relation to stakeholders

The Company is able to fully respect and protect the legal interests of stakeholders so as to achieve a balance among the interests of various parties including shareholders, staff and the community for enhancing the continuous and healthy development of the Company.

#### 6. In relation to information disclosure and investors relationship

The Secretary to the Board of Directors is designated by the Company to handle information disclosure, reception of shareholders' visits and enquiries. Information is disclosed by the Company in a true, accurate, complete and timely manner in accordance with the Listing Rules of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong to solidly ensure that investors will be able to obtain the relevant information equally.

#### 7. In relation to the special activities on corporate governance of listed companies

During the reporting period, the Company continued to intensify the promotion of special activities on corporate governance in accordance with the requirements set out in the "Circular on the Announcement of Special Activities concerning Corporate Governance" (Zheng Jian Gong Si Zi [2008] No. 27) issued by the CSRC and the "Circular on the Development of Promotion of Special Activities on Corporate Governance concerning the Prevention on Capital Appropriation" (Jing Zheng Gong Si Zi [2008] No. 85) issued by Beijing Securities Regulatory Commission (BSRC). The Company continued to launch self-examination and self-rectification against the issues involved in the Rectification on Special Activities Report 2007 and published the Rectification on Special Activities for Strengthening the Corporate Governance Report of Beiren Printing Machinery Holdings Limited in July 2008. Issues to be rectified within a time limit for the early stage were completed and the issue on continual rectification was perfected continuously.

Enhancement of corporate governance is a long-term systematic work which requires continuous improvements and upgrades. The Company will continue to actively upgrade and enhance the internal system of the Company in a timely manner and resolve any problems once found in accordance with the relevant requirements. The foundation of management will be consolidated and the awareness on regulated operation and level of governance of the Company will be continuously enhanced so as to promote the regulated and healthy development of the Company.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (II) SEPARATION BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER WITH RESPECT TO BUSINESS, PERSONNEL, ASSETS, ORGANISATION AND FINANCE

Business	The Company has complete business structure with capability of carrying out its business independently. The Company and controlling shareholder do not have businesses competing with each other. The controlling shareholder does not directly or indirectly interfere with the operation of the Company.
Personnel	The Company is independent of the controlling shareholder with respect to labour, personnel and salaries management. Senior management members including the general manager, deputy general managers, the secretary to the Board of Directors and the Chief Accountant receive their remunerations in the Company.
Assets	The Company has independent and complete systems for production, supply and sales, and the ancillary facilities.
Organisation	The Company has different production, distribution and office sites from that of the controlling shareholders. The Company has an independent management organization and a complete management and organization system entirely separated from the major shareholders.
Finance	The Company has established an independent finance department and an independent finance and accounting system. The Company has implemented a complete financial management system with a separate bank account.

### (III) APPRAISAL AND MOTIVATION MECHANISM FOR SENIOR MANAGEMENT

During the reporting period, the Board of the Company signed the Performance Assessment Contract for Senior Management with the senior management members and would assess their performance semiannually. Remuneration and Monitoring Committee of the Board would propose the appraisal of the senior management members to the Board for approval in accordance with the completion of the performance contracts by the senior management members.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (IV) THE ESTABLISHMENT AND COMPLETENESS OF THE COMPANY'S INTERNAL CONTROL SYSTEM

#### 1. Purpose and principles of the Company's internal control

##### 1. Purpose of the Company's internal control

- (1) To establish and perfect the internal organizational structure which is in line with modern management requirements, to formulate scientific decision making mechanism, implementation and monitor mechanism, so as to ensure the realization of the Company's operational management goals;
- (2) To establish an effective risk control system, strengthen risk management, so as to ensure the healthy operation of all business activities of the Company;
- (3) To avoid or lower risks, remove loopholes, eliminate latent dangers, prevent, discover and correct all errors and fraud in a timely manner, so as to protect the integrity of the Company's assets;
- (4) To regulate the Company's accounting behaviors, so as to ensure the accuracy and completeness of accounting information and enhance the quality of accounting information;
- (5) To ensure a thorough implementation of the relevant laws and regulations of the State and its regulatory system, as well as the Company's internal control system.

### (IV) THE ESTABLISHMENT AND COMPLETENESS OF THE COMPANY'S INTERNAL CONTROL SYSTEM *(Continued)*

#### 1. Purpose and principles of the Company's internal control *(Continued)*

#### 2. Principles of the Company's internal control system

- (1) The internal control system must abide by the relevant laws and regulations of the State, the Internal Control Guidelines for Listed Companies of Shanghai Stock Exchange issued by Shanghai Stock Exchange on 5 June 2006, Basic Criteria for Corporate Internal Control issued by the Ministry of Finance and the Fifth Commission of CSRC on 22 May 2008. The actual situation of the Company should be fully taken into consideration;
- (2) Principle on comprehensiveness. Internal control should take part in the whole process from decision-making, execution and supervision and cover all types of business and matters of the enterprise and its respective units. By targeting on crucial control areas in the course of business, its implementation should be applied to all aspects such as decision-making, execution, supervision and feedback in a practical manner.
- (3) Principle on importance. Internal control should deal with important business events and high-risk area on the basis of comprehensive control.
- (4) Principle on balance of power. Internal control should establish counter-control and counter-monitoring between governance structure and organisation establishment, and allocation of duties and power and business workflow with operating efficiency being taken into account.
- (5) Principle on adaptability. Internal control should accommodate with the scale of operation, scope of business, competitiveness and risk level of the enterprise and be adjusted in a timely manner subject to changes in conditions.
- (6) Principle on cost effectiveness. Internal control should have a balance between cost and expected effect so as to achieve effective control with appropriate cost.



### (IV) THE ESTABLISHMENT AND COMPLETENESS OF THE COMPANY'S INTERNAL CONTROL SYSTEM *(Continued)*

#### 2. Five key elements of the Company's internal control

##### 1. Internal control environment

###### (1) Corporate governance organizations

In strict accordance with the requirements of legal regulations such as the Company Law, the Company established and perfected governance organizations including the general meeting of shareholders, the Board of Directors, the Supervisory Committee, the Strategic Committee, the Nomination Committee, the Audit Committee and the Remuneration and Monitoring Committee, rules of procedures and decision making procedures. We also observed all duties stipulated in the Company Law and the Articles of Association. Major decision making issues such as the approval of the Company's operating policies and investment plans, election and replacement of directors and supervisors, and amendments to the Articles of Association etc, must be considered and approved by the general meeting of shareholders. The Board of Directors is responsible for implementing resolutions made by the general meeting, and it is accountable to the general meeting and shall report to it. Important decisions related to significant investment projects, acquisition and merger, acquiring important assets and signing important contracts and agreements will be made by the Board of Directors. The Chairman acts as the Company's legal representative. During the adjournment of the Board of Directors, the Chairman will be authorized by the Board of Directors to exercise part of its duties. The Supervisory Committee acts as the Company's monitoring organization that it is accountable to the general meeting and shall report to it. The principal duties of the Supervisory Committee are to monitor whether directors and senior management members have any behaviors violating legal regulations and harming the Company and its shareholders' interests while implementing company duties, as well as to inspect the Company's financial situation.

The Strategic Investment Committee of the Board of Directors is a special organ established by the Board of Directors which is principally responsible for studying and issuing opinions on the long-term development strategies and material investment decisions of the Company. The Nomination Committee of the Board of Directors is a special organ established by the Board of Directors which is principally responsible for studying and issuing opinions on candidates and election standard and procedures for directors and senior management. The Remuneration and Monitoring Committee of the Board of Directors is a special organ established by the Board of Directors which is principally responsible for formulating the appraisal standard for directors and senior management of the Company and to assess them as well as for formulating and examining the remuneration policies and proposals of directors and senior management and holding responsibility for the Board of Directors. The Audit Committee of the Board of Directors is a special organ established by the Board of Directors which is principally responsible for the communication, supervision and checking of internal and external audit work of the Company and for supervision and checking of the execution of the internal control system of the Company.

To establish the general manager responsibility system under the leadership of the Board of Directors, according to the regulations of the Articles of Association, the Company's senior management members, including general manager, deputy general manager, chief accountant and the secretary to the Board of Directors, shall be appointed and dismissed by the Board of Directors. Under the leadership of the general manager, who is in charge of the Company's management level, the deputy general manager and other senior management members shall be sharing other management work.

### (IV) THE ESTABLISHMENT AND COMPLETENESS OF THE COMPANY'S INTERNAL CONTROL SYSTEM *(Continued)*

#### 2. Five key elements of the Company's internal control *(Continued)*

##### 1. Internal control environment *(Continued)*

##### (2) Organisation establishment of the Company

Based on comprehensive consideration on the nature of the enterprise, the Company adheres to the principles of equality in duties and power, concise and high efficiency and coordinated operation and has established a new management framework system which includes the Secretariat of the Board of Directors, Offices of the Company, Technology Centre, Market Operation Centre, Department of Business Administration and Operation, Department of Human Resources, Department of Finance, Department of Audit and Legal Affairs and Department of International Collaboration, as well as the Singlesheet-fed Offset Printing Presses Branch and Web-fed Offset Press Branch established under the holdings company.

The Company defined the principal duties of all departments as well as the scope of power of all branches which centralises supply, production and sales in each branch so that branches are genuinely pushed into the market and a rapid feedback mechanism is set up for accommodating to the needs of the market. An internal control system featuring mutual co-ordination, mutual checking and balances and close connection among each department and branch of the Company was formed, which poses significant effects on the organisation of production, enhancement of product quality, increase of efficiency of the Company as well as safe assurance.

Depending on different natures, management and control on subsidiary units have been divided by the Company into operation-oriented, strategy-oriented, resources-oriented and finance-oriented. The Company also compiled the "Management Manual for Subsidiaries" and strengthened subsidiaries' strategic management, R&D management, finance supervision, personnel management, information disclosure management, as well as management on the supervision of economic operation and the assessment of economic operation depending on the holding of equity and in accordance with "Company Law" and the Articles of Association.

##### (3) Allocation of duties and power of the Company

The Company has established a clear division of duties and power. Different sets of allocation of management authority are implemented in subsidiaries and branches with different types of management and control. A clear division of duties and power has also been defined in strategic management, operation management, human resources management and details management of key business.

The Company has implemented measures on management of authorisation by legal persons which regulated activities related to authorisation.

Each member of staff of all levels of the departments and branches of the Company has a job manual which defines the scope of duties and authority of staff.

### (IV) THE ESTABLISHMENT AND COMPLETENESS OF THE COMPANY'S INTERNAL CONTROL SYSTEM *(Continued)*

#### 2. Five key elements of the Company's internal control *(Continued)*

##### 1. Internal control environment *(Continued)*

###### (4) *Internal audit of the Company*

With respect to internal control and audit, the Department of Audit and Legal Affairs of the Company is held responsible for the work of the Secretariat Office of the Audit Committee of the Board of Directors. The Department of Audit and Legal Affairs supervises and inspects the effectiveness of internal control along with supervision on internal audit. The Department of Audit and Legal Affairs shall report any deficiencies in internal control which are identified during the course of supervision and inspection in accordance with the working procedures of internal audit of the Company. For material deficiencies in internal control identified during the course of supervision and inspection, the Department has the authority to report directly to the Board of Directors and its Audit Committee and Supervisory Committee.

During the reporting period, in order to strengthen the supervisory mechanism of internal control, internal audit for subsidiaries and retired management staff was intensified. Meanwhile, random inspections have been conducted on the thorough execution of the existing internal management system of the Company. For problems identified in execution of the system through random inspections, the responsible departments were asked to make immediate rectifications. The inspection and supervision of internal control of the Company were carried out in a practical manner so as to better safeguard the Company from operating risks and legal risks.

###### (5) *Human resources of the Company*

To regulate human resources management of the Company, the Company formulated the complete Human Resources Management System in 2006 based on PRC Labour Law and the relevant laws, rules and regulations of the State and Beijing and the actual condition of the Company. In addition to compliance with the requirements of the relevant laws, rules and regulations of the State and Beijing, human resources management of the Company is executed based on this system. This system applies on all departments of the Company, Singlesheet-fed Offset Printing Presses Branch and Web-fed Offset Press Branch and all their staff.

During the reporting period, the Company strictly and thoroughly executed the relevant rules, regulations and policies including Labour Contract Law so as to regulate human resources management of the Company. Following the promulgation and implementation of Labour Contract Law, the Department of Human Resources of the Company organised all branches and departments to carry out self-check-up and rectification in respect of means of employment in due course so that adjustments and reconciliations were done on the problems identified. Active arrangements have been made for the relevant staff of the Department of Human Resources to participate in a variety of training regarding Labour Contract Law and the detailed rules of implementation.

During the reporting period, the Company launched the Beiren ELN Training Programme which delivered all-rounded management visions and skills training to management staff above the middle level.

### (IV) THE ESTABLISHMENT AND COMPLETENESS OF THE COMPANY'S INTERNAL CONTROL SYSTEM *(Continued)*

#### 2. Five key elements of the Company's internal control *(Continued)*

##### 1. Internal control environment *(Continued)*

###### (6) Corporate culture of the Company

Beiren pursues to contribute to the well-being of the community, reciprocate its shareholders and benefit its staff. The Company continues to run the system of publicising factory affairs and ideological activity analysis and sticks to the systems including reception day of leaders of the Company, connection points and staff suggestion box, treating "problem-solving and doing solid work" for the staff as the standard of scaling work. The Company re-casted its corporate culture through the four steps namely mind enhancement, value amalgamation, system scientification and behaviour unification. Other than cultivating the value of being active and positive as well as social responsibility and encouraging honesty, credibility, passion and respect for work, innovation and team spirit, it also establishes a modern management vision and strengthens awareness on risks so that a completely harmonious and voluntary behaviour is created between Beiren's staff and between the staff and the Company, resulting in the formation of a family of mind and of actions, which ultimately facilitates the sound and fast development of the Company.

##### 2. Risk assessment

All systems of the Company collect relevant information continuously and carry out risk assessment in a timely manner after taking into consideration the actual condition. In 2008, by taking the opportunity of the overall assessment on the Company's strategies, the Company carried out relevant risk analysis on the all the details of key businesses which may be exposed to risks and recommended effective rectification measures. During the reporting period, the Company organised six special project teams which carried out comprehensive risk analysis on human resources, organisation establishments, product R&D, business workflow and product quality, etc.

###### (1) Human resources

With respect to human resources, based on consideration on the professional competence of the staff, the importance of the position and career planning of the staff, the Company further optimised the middle and senior management teams of the Company so as to minimise the risk of turnover of staff of key positions at the Company.

###### (2) Organisation establishment

The mode of organisation of the three branches of the Company diverted the advantageous resources of the Company to a certain extent and could not make effective use of the advantages of each business unit. The extent and level of difficulty of communication with each other also lowered efficiency due to a comparatively large number of business units. Therefore, at the end of 2008, the Company determined to carry out an adjustment in the organisation establishment, in which supply, production and sales business segments were kept at the branches internally whereby branches were driven to take part in market competition genuinely so that the risk of inadaptability to the market demands of the Company's organisation establishments was effectively reduced.

### (IV) THE ESTABLISHMENT AND COMPLETENESS OF THE COMPANY'S INTERNAL CONTROL SYSTEM *(Continued)*

#### 2. Five key elements of the Company's internal control *(Continued)*

##### 2. Risk assessment *(Continued)*

###### (3) Asset management

To further regulate the work on disposal of state-owned assets of the Company and to ensure the safety and completeness as well as value preservation and addition of state-owned assets for enhancing the utilisation effectiveness of the assets, the Company established the Beiren Asset Management System in accordance the relevant laws, rules and regulations of the State as well as the Articles of Association of the Company. The system defined the authority of disposal of assets and the approval procedures, which will effectively prevent and eliminate waste and loss of assets.

###### (4) Technological research and development

In respect of technological research and development, the Company collaborated with consultant companies and designed the project-based management measures and workflow which accommodate to the needs of research and development of the Company. Research and development of the Company in the future will be carried out based on the requirements and workflow of the relevant projects. By carrying out research and development of the Company based on the relevant ways, the period of the future research and development of the Company will be shortened effectively and there will be more accurate and effective evaluation procedure and methods in the key points in the research and development process. There will also be significant improvement in the control of cost target of research and development.

##### 3. Control activities

Together with the results of the risk assessment of the Company, the Company kept risk exposure within tolerance level by means of combining manual control and automatic control as well as preventive control and detective control and by applying relevant control measures. Control measures general include control of separation of incompatible duties, authorisation and approval control, accounting system control, asset protection control, budget control, operation analysis control and performance assessment control.

### (IV) THE ESTABLISHMENT AND COMPLETENESS OF THE COMPANY'S INTERNAL CONTROL SYSTEM *(Continued)*

#### 2. Five key elements of the Company's internal control *(Continued)*

##### 3. Control activities *(Continued)*

###### (1) Accounting system control

The Company created an independent accounting organization. The establishment of fairly reasonable positions as well as duties and powers related to finance management, accounting and auditing, coupled with the assignment of relevant staff ensured the smoothness of finance work. There is a precise division of labor in the accounting organization and the position responsibilities system is in place. Every position is able to perform the checks and balances function, while the functions of approval, implementation and recording are separated.

The Company's finance and accounting system implemented accounting rules for enterprises set by the State, as well as relevant supplementary regulations related to finance and accounting. We established a specific finance management system for the Company, and clearly set up processing procedures for accounting certificates, account books and accounting reports. By far, the Company has developed and implemented the following finance and accounting systems: finance department duties, management measures on financial income and expenditure budgets, details of implementation for account auditing system, fixed assets management measures, cash management measures, assets impairment provision and writing off system, etc. These finance and accounting systems greatly ensured the work of regulating the Company's account auditing, strengthening account monitoring, securing the accuracy of finance and accounting data, preventing errors and removing loopholes. In accordance with the requirements of the Securities Regulatory Commission, an accurate and complete finance and accounting report of the listed company was provided in a timely manner, which gave an accurate, objective and equal reflection on the Company's financial position and business results, and provided relevant parties including shareholders, the general public and government departments with reliable and accurate accounting information on the Company, and truly fulfilled our social responsibilities and obligations.

###### (2) Control of authorization

Depending on the amount and the nature of transactions, the Company adopted different transaction authorization methods in accordance with the Articles of Association and the provisions of all of the aforesaid management systems. In regard to claims of fees related to the sales business, procurement business and normal business that occurred on a frequent basis, as well as financing within the scope of authorization, an examination and approval system was taken place at all levels in each relevant unit and department. In regard to infrequent business transactions such as significant transactions including external investment, issue of shares, restructure of assets, transfer of equity, guarantee, connected transaction, etc, examination and approval was handled by the Board of Directors or the general meeting of shareholders depending on the transaction amount.

### (IV) THE ESTABLISHMENT AND COMPLETENESS OF THE COMPANY'S INTERNAL CONTROL SYSTEM *(Continued)*

#### 2. Five key elements of the Company's internal control *(Continued)*

##### 3. Control activities *(Continued)*

###### (3) Control of separation of incompatible duties

In order to prevent and uncover errors and fraud in a timely manner during the implementation of the assigned roles, the Company developed a series of detailed positions and division of labor system in each department and area that engaged in business activities: for example, cash handling to be separated from account auditing, staff who reviewed and approved any business transaction to be separated from staff who actually perform the task.

###### (4) Control of certificates and records

In regard to the access and audit of external certificates, the Company established a rather perfect mutual auditing system based on each department and the role of each position, effectively preventing inferior certificates entering the enterprise. In regard to the compilation and audit of internal certificates, all certificates were signed or sealed, and general certificates were assigned a number in advance. Important certificates and important blank certificates were kept by specified staff in a safe manner that a log book was maintained. Upon the implementation of a transaction, the business staff instantly prepared a certificate record which would be reviewed by a specified staff, recorded into a corresponding account, and then submitted to the accounting and settlement department for registration and filing.

###### (5) Control of access to assets and the use of records

The Company restricted unauthorized staff to gain direct access to property. Measures such as regular inventory check, property records, account auditing and property insurance were in place to ensure the integrity of all property. The Company has established a series of safekeeping systems for assets and accounting files, coupled with necessary equipments and specified staff basically ensured the safety and integrity of assets and records.

###### (6) Budget control

The Budget Management System established by the Company fully planned, projected, forecasted and described operational activities, investment activities, finance activities during the scheduled period. It also controlled, adjusted and evaluated the implementation processes and results. The entire budget of the enterprise comprised finance budget (including cash flow budget) and business budget, capital budget and financing budget, and is guided by the Company's annual operational goals, to ensure the realisation of operational goals through effectively organising and coordinating production and operating activities, as well as utilising various resources.

The annual budget of the Company is proposed according to the target and the budget preparation principles raised by the budget committee of the Company, in accordance with the standard of occurrence of all estimated expenses and based on the principles of cost saving and lowering. Annual comprehensive budgets are prepared by each business unit of the Company in accordance with requirements, which will undergo a series of review procedures after consolidated and balanced by relevant departments and be approved and executed by the Board of Directors ultimately. The stringent execution of the comprehensive budget of the Company effectively controls the all types of activities and the relevant cost index of the Company, which effectively guaranteed the accomplishment of the development targets of the Company.

### (IV) THE ESTABLISHMENT AND COMPLETENESS OF THE COMPANY'S INTERNAL CONTROL SYSTEM *(Continued)*

#### 2. Five key elements of the Company's internal control *(Continued)*

##### 3. Control activities *(Continued)*

###### (7) Operation analysis control and performance assessment control

Through monthly operation reports of all business units and the collection of domestic and overseas information, the Company carries out operation analysis within the entire company in each quarter covering: external environment analysis, company internal environment analysis, company operation target analysis, control and analysis of details of key business of the Company, etc. The operation analysis of the Company effectively integrates the relevant information and standardised the operation direction and methods of the entire company, which effectively prevents the risk of each segment of all business being out of control.

The management of the Company and the person-in-charge of departments and branches of the Company entered into the Responsibility Statement of Annual Operation Targets the Responsibility Statement of Safety Production. Performance assessments were carried out at the end of the year based on the year-end working report submitted by the persons-in-charge and the actual operation results, which effectively utilised the active attitude of the middle management of the Company.

#### 4. Information and communication

The Company implemented the information reporting system which defines the reporting requirements and relevant details for different business units and branches and subsidiaries. Contents of reports mainly include: monthly management statement, quantitative analysis report, purchasing analysis report, production analysis report, sales analysis report, market analysis report and management reports of subsidiaries. Through receiving relevant key information on operation management effectively, the Company guaranteed the provision of information for the management of the Company to make correct decisions.

While monthly management reports are required for the subsidiaries, the Company implemented the senior management working report system. Performance assessment is carried out at the end of the year based on the contents of the working report and the actual operation condition of the subsidiaries.

In addition, through effectively application of modern information platforms including OA, CRM and MRP, the Company increased the efficiency of all tasks and effectively achieved communication of information of the Company and offered a database for risk information which facilitated the effective risk control of the Company and provided a platform for reducing relevant risks at a controllable level.



### (IV) THE ESTABLISHMENT AND COMPLETENESS OF THE COMPANY'S INTERNAL CONTROL SYSTEM *(Continued)*

#### 2. Five key elements of the Company's internal control *(Continued)*

##### 5. Internal supervision

The Audit Committee of the Board of Directors of the Company is a special organ established by the Board of Directors which is responsible for supervision and checking of the execution of the internal control system of the Company. In the internal audit system of the Company, the duties and authority in internal supervision of internal audit organisation are defined which regulates the procedures, methods and requirements of internal supervision.

During the reporting period, the Board of Director of the Company and its Audit Committee placed high emphasis in internal control of the Company and, in particular, required the relevant departments of the Company to put focus on strengthen management and control on branches with respect to organisation and system after the organisational adjustment of the Company so as to prevent the subsidiaries, who now work independently, from being difficult to be controlled by the headquarters after expansion of their functions.

The Company has set up six major project teams taken part by internal supervisory officers which have carried out special supervision and inspection on human resources, organisation establishment, product research and development, business workflow, etc. For cases where relatively significant risks may occur, the teams provided relevant reports to the management and the Board of Directors. After discussion by the Board of Directors and management of the Company, appropriate adjustments were made on organisation establishment, key business workflow and division of duties of the Company so that occurrence of the corresponding risks of the Company was effectively avoided.

### (IV) THE ESTABLISHMENT AND COMPLETENESS OF THE COMPANY'S INTERNAL CONTROL SYSTEM *(Continued)*

#### Implementation of internal control system

##### 1. Basic control system

###### (1) *Corporate governance*

In strict accordance with the Company Law, the Securities Law, Guidelines for Listed Companies' Articles of Association Guidelines for the Internal Control of Listed Companies, Basic Standard for Enterprise Internal Control as well as relevant documents and requirements by the securities regulatory authority, the Company constantly perfected the legal person governance structure and amended the Articles of Association in a timely manner. We have developed and updated the Rules of Procedure for the General Meeting, Rules of Procedure for the Board of Directors, Rules of Procedure for the Supervisory Committee, Regulations on Information Disclosure Management, Investors Relationship Management System, Working System for Independent Directors, so that the Company's internal control system continued to be perfected. The new version of the internal control system of the Company will be duly issued and implemented by the deadline required by the CSRC.

###### (2) *Daily management*

In strict accordance with the provisions of the Company Law and the Articles of Association, the Company's controlling shareholders exercised the rights and obligations as being fund providers. In areas such as business, staff, assets, organizations and finance, the Company and controlling shareholders have a complete "50/50" split that each possesses an independent and complete business and self operating capability. The Company's general meeting was convened in strict accordance with the procedures stipulated in the Articles of Association and relevant information was disclosed in a timely manner. The Company's Board of Directors and Supervisory Committee could operate independently and cast votes in an objective and fair manner so as to ensure the interests of all shareholders.

###### (3) *Human resources management*

The Company principally relies on open recruitment. "Open, equality, competition and selecting the best" is the personnel system management that we insist to use while employing, training, appraising, awarding and disciplining staff. The Company will strive to establish a scientific incentives mechanism and constrains mechanism. Staff initiative will be fully encouraged through scientific human resources management so as to create an internal personnel mechanism featuring equal competition and reasonable mobility, while staff's talents to be fully taken into account while creating roles and duties. In turn, job efficiency will be greatly enhanced.

### (IV) THE ESTABLISHMENT AND COMPLETENESS OF THE COMPANY'S INTERNAL CONTROL SYSTEM *(Continued)*

#### **Implementation of internal control system *(Continued)***

#### **2. Investment management, external guarantees and connected transactions**

In the Articles of Association, Rules of Procedure for the General Meeting, Rules of Procedure for the Board of Directors and External Guarantees Management System, the Company regulated authorities related to external investment, acquisition and sales of assets, mortgage of assets, matters of external guarantees, commissioned financial management and connected transactions and established stringent examination and decision making procedures as well.

#### **Self assessment on the effectiveness of the implementation of the Company's internal control system during the year**

#### **1. Procedures and methods used by the Company for self evaluating the effectiveness of the implementation of internal control**

(1) Evaluation of the Supervisory Committee. The Supervisory Committee was able to truly fulfill its duties in accordance with the provisions of the Company Law and the Articles of Association as the Company's monitoring arm. It convened Supervisory Committee meetings on a regular basis, effectively monitored and assessed the Company's financial reports; senior management's violating behaviors and behaviors harming shareholders' interest, as well as the Company's internal control.

(2) Evaluation of Internal Audit. The Company's internal audit staff independently exercised control over auditing and monitoring, audited and inspected relevant departments and relevant staff regarding to what extent financial and economic regulations were observed, as well as the implementation of the finance and accounting system. It also disciplined behaviors that violating the finance and accounting system, ensuring the finance and accounting system was observed effectively and implemented. The Company carried out regular or irregular inspections and assessments on the implementation of internal control system. Defects or unsatisfied implementation of internal control system would be held responsible by relevant levels and reported. The Company's Internal control system was strictly implemented by all levels of staff. For unsatisfied implementation of internal control or any problems found, staff had to explain to their supervisors and corresponding measures would be adopted.

#### **2. Effect of the implementation of control system**

Through the development and effective implementation of internal control system, the Company's management level was further enhanced and the Company's integrated competitiveness was increased substantially, laying a solid foundation for the Company's long term development. In the opinion of the Company's management authority, the Company has, in accordance with the provisions of relevant laws, regulations and relevant departments, established and perfected complete and reasonable internal control which generally ensured the normal operation of the Company's production and operating activities, and reduced management risks to certain degree. Besides, the implementation of all relevant significant aspects related to the financial statement as at 31 December 2008 in accordance with the control system standard was deemed effective.

### (IV) THE ESTABLISHMENT AND COMPLETENESS OF THE COMPANY'S INTERNAL CONTROL SYSTEM *(Continued)*

#### Relevant working plan for internal control in the coming year

1. To perfect the internal control system of the Company in accordance with the requirements of laws, rules and regulations and regulatory departments. To issue the internal control system of the Company and implement and operation the system by the deadlines required by the CSRC.
2. To perfect the internal evaluation measures and evaluate the effectiveness of the internal control of the Company on a regular basis in accordance with the internal control evaluation measures so as to improve and perfect internal control continuously.
3. To enhance the Company's ability to prevent all types of risks through comprehensive implementation of the internal control system.
4. To further perfect the management reporting system of the Company and promote the internal control system of the Company to subsidiaries.

### (V) THE BOARD OF DIRECTORS' SELF ASSESSMENT REPORT ON THE INTERNAL CONTROL OF THE COMPANY

To establish a complete internal control system with effective implementation is the responsibility of the Board of Directors and management of the Company. The objectives of internal control of the Company are: to reasonably guarantee compliance of the operation and management of the Company with laws and regulations, safety of assets, and the truthfulness and completeness of the financial statements and relevant information, to enhance efficiency and effects of operation and to boost accomplishment of development strategies by the Company.

Due to the inherent limitations of internal control, only reasonable guarantees for accomplishment of the above objectives can be given. Furthermore, the effectiveness of internal control may change following changes in the internal and external environment and state of operation of the Company. There is a checking and monitoring mechanism in the internal control of the Company. Once a deficiency in internal control is identified, the Company will take rectification measures immediately.

In establishing and implementing internal control system, the following basic elements are taken into consideration: the five elements including internal environment, risk assessment, control activities, information and communication and internal supervision as required in Basic Criteria for Corporate Internal Control formulated by the Ministry of Finance together with CSRC, Audit Office, CBRC and CIRC.

The Board of Directors of the Company conducted a self assessment on the internal control for the year in respect of all the above aspects. It was found that no material deficiencies were identified in the design or execution of internal control of the Company from 1 January this year to the end of the reporting period.

The Board of Directors of the Company consider that the internal control system of the Company is complete with effective implementation from 1 January this year to the end of the reporting period.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (V) THE BOARD OF DIRECTORS' SELF ASSESSMENT REPORT ON THE INTERNAL CONTROL OF THE COMPANY *(Continued)*

This report was considered and approved at the tenth meeting of the Sixth Board of Directors on 30 March 2009. The Board of Directors of the Company and all its members are jointly and severally liable for the truthfulness, accuracy and completeness of its contents.

ShineWing Certified Public Accountants was appointed by the Company to carry out verification and evaluation on the internal control of the Company. Results of verification and evaluation: as at 31 December 2008, the Company has maintained effective internal control in all major aspects related to the financial statement in accordance with the standards of "Internal Accounting Control Criteria – Basic Criteria (for Trial Implementation)" issued by Ministry of Finance.

### (VI) AUDITOR'S AUDITING OPINION ON THE BOARD'S SELF ASSESSMENT REPORT ON THE INTERNAL CONTROL OF THE COMPANY

#### Auditing Report on Internal Control

XYZH/2008A4002-8

To shareholders of Beiren Printing Machinery Holdings Limited,

We are entrusted to review the confirmation on the effectiveness of the corporate internal control as at 31 December 2008 in connection with the financial statement by the Board of Directors of Beiren Printing Machinery Holdings Limited (referred to as "the Company" hereafter). The management of the Company is responsible to set up and maintain complete and effective internal control, while our responsibility is to form an opinion on the effectiveness of the Company's internal control.

We conduct audit based on the Standards on Other Assurance Engagements for Certified Public Accountants of China No.3101. In the course of auditing, we have performed to understand, test and assess the appropriateness of the design and the effectiveness of the execution of internal control as well as other procedures we considered to be necessary. We believe that our audit have provided a reasonable basis for expressing opinion.

The internal control is subject to inherent restriction, and there is the possibility of misreport not to be discovered due to errors or fraud. In addition, change in situations would lead to inappropriateness in internal control, or impair the control policies and procedure, leaving the forecast on the effectiveness of future internal control according to the results of the internal control assessment riskful.

We consider, as at 31 December 2008, the Company has maintained effective internal control in all major aspects related to the financial statement in accordance with the standards of "Internal Accounting Control Criteria – Basic Criteria (for Trial Implementation)" issued by Ministry of Finance.

#### ShineWing Certified Public Accountants

PRC Certified Public Accountant: Huang Ying  
PRC Certified Public Accountant: Ma Chuanjun  
Beijing, PRC  
30 March 2009

### (VII) REPORT ON PERFORMANCE OF SOCIAL RESPONSIBILITY

The 2008 Social Responsibility Report of Beiren Printing Machinery Holdings Limited (the "Company") focused on explaining and disclosing the Company's corporate vision of "Reciprocating its shareholders, benefiting its staff and contributing to the well-being of the community", which are concrete actions to building socialism and a harmonious community as well as solid commitments of the Company to stakeholders including society, shareholders, creditors, staff and customers to take up the corresponding social responsibility.

### (VII) REPORT ON PERFORMANCE OF SOCIAL RESPONSIBILITY *(Continued)*

#### 1. Protection of interests of shareholders and creditors

The Company continued to perfect its corporate governance structure and internal control system in accordance with the requirements of relevant laws, rules and regulations including Company Law, the Standard of Corporate Governance of Listed Companies, the Articles of Association and the Listing Rules of the PRC and Hong Kong. The operation and management of the Company was in compliance with laws and regulations with safe assets while the financial statements and relevant information were true and complete so that the efficiency and effects of operation were enhanced and accomplishment of development strategies by the Company was boosted.

The Company placed high emphasis on investors' relationship. The Secretary to the Board of Directors was responsible for the work on investors relationship and Secretariat of the Board was defined as the functional department for management of investors relationship of the Company which was in charge of affairs on management of investors relationship. The Company has set up special hotlines and fax lines for investors which are operated by designated person who is familiar with the background so as to guarantee smooth access of phone lines during office hour and serious responses to calls. In respect of information disclosure, the Company disclosed regular reports and ad hoc reports of the Company in a timely, accurate, true and complete manner in strict compliance with the requirements of regulatory authorities in the PRC and Hong Kong to continuously enhance the level of management of information disclosure and quality of information disclosure of the Company so as to protect the legal interests of investors.

The Company has been adhering to prudent financial policies. During its course of operation, financial risk management has been constantly strengthened while capital has been safeguarded and credit level has been satisfactorily maintained so that creditors' interests were solidly protected. Over the years, the Company has established good cooperating relationship with the banks.

#### 2. Protection of interests of customers

Adhered to follow self innovation and technological advancement, the Company developed and manufactured in the PRC the first offset press, the first double-sided offset press, the first multi-colour machine, the first printer at a speed of up to 75,000 pages/hour ...countless records, so that customers are provided with the best performance-to-price ratio equipment. While creating value for customers, a solid foundation has been laid for promoting national industry of PRC.

To ensure that the Company's products are utilised with high efficiency by customers for bringing more considerable returns to them, the Company moved forward the sales and services markets through setting up tens of distributor branches and service websites to provide faster and more convenient after sales services to customers which ensured the timeliness and effectiveness of services.

Regular telephone revisits and the biannual after sales services visits persistently conducted by the Company carry out free-of-charge product service consultation and product on-site services for customers which have been highly recognised by our customers.

To guarantee that customers could master the use of the products more precisely, the Company organised product training courses periodically around PRC where experienced engineers of the Company were arranged to deliver training on the theories and practical operation to operating staff of our customers, which enhanced the level of operation of the staff of our customers to a large extent. Meanwhile, to ensure that products of the Company will be able to commence operation once arriving at the customers' sites for creating profits for customers and to avoid any waste due to unfamiliarity with new equipment by the operating staff of our customers, the Company provided with customers a high-levelled printing technician free-of-charge to deliver a one-month on-site coaching until customers are able to completely master the use of the product. To nurture talents for the printing industry, the Company set up a scholarship in Liaoning News Publication School.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VII) REPORT ON PERFORMANCE OF SOCIAL RESPONSIBILITY *(Continued)*

#### 2. Protection of interests of customers *(Continued)*

In 2008, the Company sponsored and took part in the “First National Printing Industry Occupational Skills Contest” organised by the Press and Publication Bureau and the Ministry of Human Resources and Social Security so as to nurture and identify more talents with high level of professional skills. Printing workers were given tremendous stimulation for passion in learning techniques and mastering new skills. To enhance the level of printing among all printing factories in Beijing, the Company subsidised the quality appraisal of Printing Branch of Beijing Association of Quality and conducted the “Beiren Cup” printing quality appraisal activity in 2008.

#### 3. Protection of interests of staff

- (1) The Company fully protects the legal interests of its staff through entering into labour contracts with its staff based on equal and voluntary and mutually agreed principles so as to take up the basic social responsibility to be borne by companies. The Company established a healthy and complete labour security organisation which pays for all staff retirement insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, etc so as to protect the legal labour rights and labour responsibilities of staff.
- (2) Adhered to the vision of “mutual development with staff”, the Company built up growth platform actively for staff on which training is organised for staff using its own power and social resources. A number of training sessions on Labour Contract Law, Building of Professionalised Managers, Corporate Governance and Cost Accounting. “Beiren Holdings Business School” programmes have been launched on the Company’s office system where online self-training and examinations were conducted and awards were given to staff with outstanding results so as to arouse their passion in learning for enhancing the overall quality of staff.
- (3) In 2008, the Company granted a special fund as award to 50 staff members who had obtained certificates of class of skills at above senior technician grade.
- (4) The Company has launched donation and caring activities for staff in extreme difficulties for nine consecutive years to care for and make donations to 141 staff in difficulties. On Chinese New Year’s eve, the Company contributed more than Rmb160,000 for giving caring gifts and money to 170 outstanding workers, retired old management, old leaders and staff in difficulties of Beiren.

#### 4. Safety and environmental protection

- (1) The health and safety of staff are the fundamental for staff development and corporate development. The Company arranged staff for check-up on a regular basis to reduce occupational hazards so as to create a healthy and safe working and living environment for staff and eliminate work-related accidents.
- (2) In 2008, while actively initiated safety awareness education and safety skills training for staff, the Company strengthened investments in safety industrial device, industrial hygiene protection and occupational health. To address to the high temperature in summer, the Company extended allowance on summer cooling beverages and arranged for health care facility for staff of toxic and harmful jobs.
- (3) The Company actively launched pollution prevention and pollution treatment, took the initiative to develop clean production and promoted energy saving and waste reduction. In respect of pollution treatment, the Company took active steps in reducing noise pollution.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VII) REPORT ON PERFORMANCE OF SOCIAL RESPONSIBILITY *(Continued)*

#### 4. **Safety and environmental protection** *(Continued)*

- (4) In 2008, there were no cases of work-related death of staff, no material fires or explosion, no incidents of group poisoning, no material incidents of pollution on the environment.

#### 5. **Other social responsibilities**

##### (1) **Connected to the disaster area**

After the 5.12 mega earthquake took place, the Company immediately formulated the “5.12 Earthquake Area Emergency Plan” and organised the “Earthquake Relief and Rescue Team of Printing Industry” made up of more than 30 people in the shortest time to provide urgent repair services to customers of the Company at the earthquake disaster area so as to help them resume production. More than Rmb500,000 were directly placed on personnel and equipment for tackling problems for more than 100 users on-site, which genuinely materialised the social value of the No. 1 brand printing machinery in the PRC.

##### (2) **Welcoming the Olympics**

To welcome the opening of the Beijing Olympics, 18 staff members from the Company served as voluntary drivers to provide services to officers of the Olympic Committee from all over the world while 374 played the role as cheering team members at the Olympics and Paralympics to cheer and support athletes from each country. On 8 August 2008, the Beijing Olympic Torch was passed at Beijing Economic-Technological Development Area. The Company has sent a team of 800 people to welcome the torch at the main street. Also, the BEIREN 75A newspaper printer manufactured by the Company was utilised by a number of presses as major printing equipment for news reporting of the Olympic Games.

#### 6. **2009 Social Responsibility Plans**

Apart from own development, the Company is also concerned with strategic guiding, innovative technology and management so as to bring value to our customers, create returns for our shareholders, take up responsibility for society and share the fruit of corporate development with staff.

The Company not only pursues continuously success on development, but also takes up social responsibility voluntarily. In the face of the impact on the economy of entities from global financial crisis, the Company is expecting good results in the coming year and taking up more important social responsibilities through providing with customers more better performance-to-price ratio products and through stringent cost control and reduction and by persistent efforts execution in accordance with the targets of strategic plans.



# CORPORATE GOVERNANCE AND GOVERNANCE REPORT

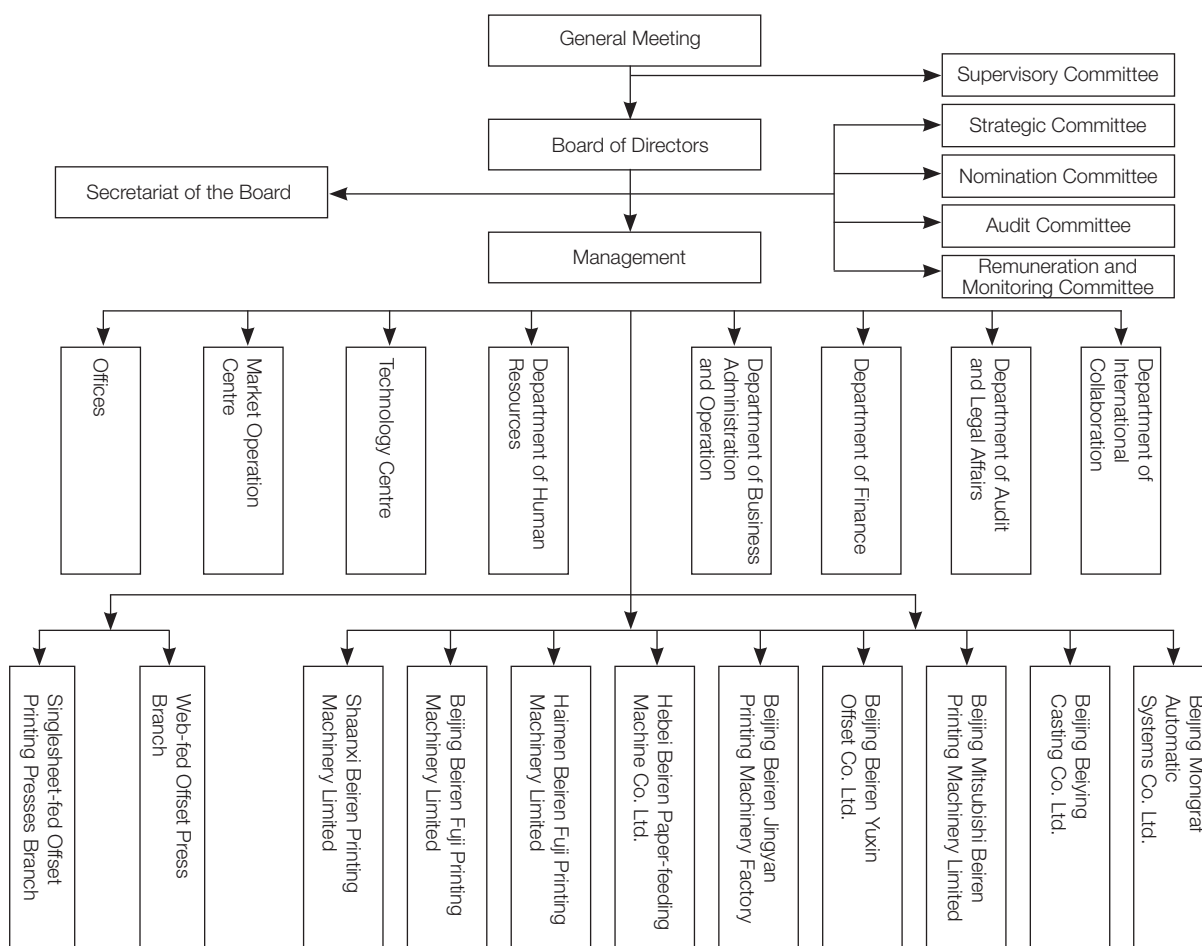
## (VIII) CORPORATE GOVERNANCE REPORT

The directors of the Company believe that corporate governance is crucial to the success of the Company; therefore, the Company adopts various measures to guarantee high-quality corporate governance.

The documents related to corporate governance of the Company include the Articles of Association, Rules of Procedure for the General Meeting, and Rules of Procedure for the Board of Directors, Rules of Procedure for the Supervisory Committee, Implementation Rules of Special Committee of the Board of Directors, Code of Practice of General Managers. To achieve highest level of corporate governance, the Board of Directors of the Company has set up four special committees, namely the Strategic Development Committee, the Audit Committee, the Remuneration and Monitoring Committee and the Nomination Committee.

During the reporting period, the Company was in compliance with all the provisions in the Code on Corporate Governance Practices (referred to the “Code” hereafter) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (referred to the “Listing Rules” hereafter).

The chart for corporate governance structure of the Company is as follows:



## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) CORPORATE GOVERNANCE REPORT *(Continued)*

#### 1. Directors and Composition of the Board of Directors

The Board of the Company consists of 11 directors, including 4 executive directors, 3 non-executive directors, and 4 independent non-executive directors accounting for more than one third of the total members of the Board. The directors in the Board of Directors are as follows:

##### **Executive directors**

Pang Liandong	Chairman of the Board
Zhang Peiwu	Executive director and general manager
Yang Zhendong	Executive director and deputy general manager
Duan Yuangang	Executive director and chief accountant

##### **Non-executive directors**

Deng Gang	Vice Chairman
Bai Fan	Non-executive director
Yu Baogui	Non-executive director

##### **Independent non-executive directors**

Xu Wencai	Independent non-executive director
Wang Hui	Independent non-executive director
Xie Bingguang	Independent non-executive director
Wang Deyu	Independent non-executive director

The executive directors and non-executive directors of the Company have extensive experience in production, operation and management and make reasonable decisions in respect of the matters proposed by the Board. Among the 4 independent non-executive directors, one is a fellow member in printing industry, one is post-doctorate researcher with extensive experience in corporate mergers and acquisitions and financing, one is a PRC solicitor with accomplishments in law, the other is a PRC registered accountant with years of experience in corporate management advisory and accounting practice. Such independent non-executive directors have abilities of assessing internal control and reviewing financial report. The composition of the Board was in full compliance with the requirements of the relevant domestic and overseas laws and regulations and standardized documents.

During the reporting period, as is aware of the Board, there is no connection among the directors (including the Chairman and the General Manager) that is discloseable with respect to finance, business, relatives or other relevant matters.

The Company has strictly complied with relevant restriction stipulations for securities transactions by directors as set out by domestic and Hong Kong regulatory authorities and has all along been strict in discipline.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) CORPORATE GOVERNANCE REPORT *(Continued)*

#### 1. Directors and Composition of the Board of Directors *(Continued)*

The Company has adopted the requirements in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. For the purpose of this report, the Company has enquired all the directors and all of them were confirmed to have complied with the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers.

The Company has received the confirmation on independence submitted by the 4 independent non-executive directors pursuant to Rule 3.13 of the Listing Rules, and the Board of the Company thinks that the 4 independent non-executive directors are independent.

#### 2. Meetings of the Board of Directors in 2008 and Attendance of Directors

The Board of Directors of the Company convened eleven meetings during the reporting period. Details of the Directors of the sixth Board are as follows:

Name of directors	Required attendance <i>(occasions)</i>	Attendance in person <i>(occasions)</i>	Attendance by proxy <i>(occasions)</i>	Absence <i>(occasions)</i>	Attendance rate <i>(%)</i>
<b>Executive directors</b>					
Pang Liandong					
Zhang Peiwu	11	11	0	0	100
Yang Zhendong	11	11	0	0	100
Duan Yuangang					
<b>Non-executive directors</b>					
Deng Gang	11	11	0	0	100
Bai Fan	11	11	0	0	100
Yu Baogui	11	11	0	0	100
<b>Independent non-executive directors</b>					
Xu Wencai	7	7	0	0	100
Wang Hui	7	7	0	0	100
Xie Bingguang	7	7	0	0	100
Wang Deyu	7	6	1	0	85.71

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) CORPORATE GOVERNANCE REPORT *(Continued)*

#### 2. Meetings of the Board of Directors in 2008 and Attendance of Directors *(Continued)*

Of which, Mr. Pang Liandong and Mr. Duan Yuangang were additional directors appointed at the Extraordinary General Meeting held on 8 January 2009.

<b>Name of directors</b>	<b>Required attendance</b> <i>(occasions)</i>	<b>Attendance in person</b> <i>(occasions)</i>	<b>Attendance by proxy</b> <i>(occasions)</i>	<b>Absence</b> <i>(occasions)</i>	<b>Attendance rate</b> <i>(%)</i>
<b>Executive directors</b>					
Wang Guohua	10	10	0	0	100
Jiang Jianming	7	7	0	0	100
<b>Non-executive directors</b>					
Lu Chang'an	4	3	1	0	75
<b>Independent non-executive directors</b>					
Wu Wenxiang	4	4	0	0	100
Wu Hongcho	4	3	1	0	75
Li Yijing	4	4	0	0	100
Shi Tiantao	4	4	0	0	100

Of which, Mr. Wang Guohua resigned as Director on 20 November 2008, Mr. Jiang Jianming resigned as Director on 14 October 2008, Mr. Lu Chang'an, Mr. Wu Wenxiang, Mr. Wu Hongcho, Ms. Li Yijing and Mr. Shi Tiantao were Directors of the Fifth Board whose tenure of office expired on 13 July 2008.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### **(VIII) CORPORATE GOVERNANCE REPORT** *(Continued)*

#### **3. Chairman and General Manager**

The Chairman and the General Manager of the Company are assumed by different persons, and their respective duties are divided clearly.

The Chairman, the legal representative of the Company, is elected by more than half of all directors of the Board. The Chairman is responsible for corporate planning and strategic decision-makings and chairing the Board, so as to ensure that the Board duly considers and approves all involved matters and the Board runs efficiently.

The Chairman is entitled to preside over the general meetings, to convene and chair the Board meetings, to check the implementation of resolutions of the Board, and to sign the securities issued by the Company and other important documents. As authorised by the Board, the Chairman can also chair the general meetings and provide guidance to the Company's important business activities during the adjournment of the Board meetings.

The General Manager is appointed by the Board and reports to the Board. The General Manager commands the management to take in charge of daily production, operation and management of the Company and implementation of all resolutions of the Board. As required by the Board or the Supervisory Committee, the General Manager will report to the Board or the Supervisory Committee the entering into and implementation of significant contracts, and the utilisation of funds and the profit and loss.

#### **4. Executive Directors and Non-executive Directors**

Like the other directors, the existing non-executive directors of the Company have the term of office of 3 years commencing from 14 July 2008 to 13 July 2011.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) CORPORATE GOVERNANCE REPORT *(Continued)*

#### 5. Performance of duties by independent non-executive directors

(1) Attendance of independent non-executive directors at the Board meetings is as follows:

Name of independent directors	Required attendance during the year <i>(occasions)</i>	Attendance in person <i>(occasions)</i>	Attendance by proxy <i>(occasions)</i>	Absence <i>(occasions)</i>	Reasons for absence and additional notes
Wu Wenxiang	4	4			
Wu Hongcho	4	3	1		Absent due to business assignments. Independent non-executive director Li Yijing was appointed as proxy for voting.
Li Yijing	4	4			
Shi Tiantao	4	4			
Xu Wencai	7	7			
Wang Hui	7	7			
Xie Bingguang	7	7			
Wang Deyu	7	6	1		Absent due to business assignments. Independent non-executive director Wang Hui was appointed as proxy for voting.

Mr. Wu Wenxiang, Mr. Wu Hongcho, Ms. Li Yijing and Mr. Shi Tiantao retired on 13 July 2008. Mr. Xu Wencai, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu were assumed office of independent non-executive directors of the Company on 14 July 2008.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) CORPORATE GOVERNANCE REPORT *(Continued)*

#### 5. Performance of duties by independent non-executive directors *(Continued)*

##### (2) Performance of duties by independent non-executive directors

Independent non-executive directors of the Company performed their duties in a prudent and responsible manner in accordance with relevant laws and regulations. They attended the Board meetings and the general meetings with their professional and constructive opinions for significant decisions of the Company. They gave their specific opinions regarding the Company's significant events. By doing such, the independent directors have played an active role for rational and objective decisions of the Board and regulate development of the Company, thus practically and effectively protecting the legal interests of the Company and its shareholders as a whole.

##### (3) Independent Non-executive Directors' Objection to the Relevant Matters of the Company

During the reporting period, independent non-executive directors of the Company did not object to the proposals put forward at the Company's Board meetings and other meetings during the year.

#### 6. Power of the Board of Directors and senior management

##### (1) The Board of Directors exercised the power stipulated in laws and regulations and the Articles of Association as follows:

To convene general meetings and implement resolutions passed thereat;

To formulate the annual operating plan and material investment plan of the Company;

To determine the financial budget, profit distribution plan, basic management mechanism and material acquisition or disposal plan of the Company;

To appoint or dismiss the Company's general manager and to appoint or dismiss the Company's senior management members including the deputy general manager and the financial controller based on nominations by the general manager;

To propose to the general meeting to re-appoint or change the Company's accounting firms responsible for the audit work;

To consider the management's report;

To exercise the financing and borrowing rights of the Company and determine matters concerning the pledge, lease and transfer of the Company's material assets.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) CORPORATE GOVERNANCE REPORT *(Continued)*

#### 6. Power of the Board of Directors and senior management *(Continued)*

##### (2) Work of the committees under the Board of Directors

The Board has set up four special committees, i.e. Strategic Committee, Audit Committee, Remuneration and Monitoring Committee and Nomination Committee. Each committee has formulated its own implementation rules, which were approved by the Board.

##### *Performance of duties by Strategic Committee under the Board of Directors*

The main duties of the Strategic Committee are to formulate strategic rules of the Company, to supervise the implementation of strategies and to timely adjust corporate strategies and the governance structure.

The Strategic Development Committee comprises five directors. During the reporting period, the Strategic Committee convened three meetings. Details of which are as follows:

On 11 April 2008, the technological reform proposal for the year 2008 of the Company was considered and passed.

On 20 April 2008, the “11-5” strategy of subsidiary Beiren Fuji Printing Machinery Limited was considered and passed.

On 21 June 2008, the “11-5” strategy of subsidiary Shaanxi Printing Machinery Limited was considered and passed.



## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) CORPORATE GOVERNANCE REPORT *(Continued)*

#### 6. Power of the Board of Directors and senior management *(Continued)*

##### (2) Work of the committees under the Board of Directors *(Continued)*

The members of the Strategic Development Committee and their attendance at the meeting are as follows:

Name	Description	Required attendance in 2008 (occasions)	Attendance (occasions)
Pang Liandong <i>(Chairman of the Board)</i>	Chairman of the Committee		
Deng Gang <i>(Vice Chairman of the Board)</i>	Member of the Committee	3	3
Zhang Peiwu <i>(Executive director)</i>	Member of the Committee	3	3
Yang Zhendong <i>(Executive director)</i>	Member of the Committee	3	3
Xu Wencai <i>(Independent non-executive director)</i>	Member of the Committee	2	2
Wang Guohua <i>(Former Chairman of the Board)</i>	Chairman of the Committee	3	3
Lu Chang'an <i>(Former Vice Chairman of the Board)</i>	Member of the Committee	2	2
Wu Wenxiang <i>(Former Independent non-executive director)</i>	Member of the Committee	2	2

##### *Performance of duties by Audit Committee under the Board of Directors*

The power of the Audit Committee was formulated in accordance with advice in Guide for Effective Operation by Audit Committee issued by Hong Kong Institute of Certified Public Accountants, Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and Standard of Corporate Governance for PRC Listed Companies issued by CSRC. Its major duties are to review and examine the quality and procedure of the financial reporting of the Group, to review the completeness and effectiveness of the internal control system of the Company, to appoint independent auditors, coordinate their work and review the quality and efficiency of their work, and, lastly, to review all written reports by internal auditors and the management's feedback on such reports.

The Audit Committee of the Board of Directors was serious and responsible and worked diligently and honestly in performing the obligations to be assumed. During the reporting period, six meetings of the Audit Committee of the Board were convened, details of which are as follows:

- (1) On 21 February 2008, the Audit Committee of the Board communicated with ShineWing Certified Public Accountant on the audit of the Company's 2007 financial report and discussed a number of issues concerning the on-site audit process.

### (VIII) CORPORATE GOVERNANCE REPORT *(Continued)*

#### 6. Power of the Board of Directors and senior management *(Continued)*

##### (2) Work of the committees under the Board of Directors *(Continued)*

###### *Performance of duties by Audit Committee under the Board of Directors (Continued)*

- (2) On 28 February 2008, the Audit Committee of the Board and independent non-executive directors further communicated with ShineWing Certified Public Accountant on the audit of the Company's 2007 financial report.
- (3) On 9 April 2008, the Audit Committee of the Board and independent non-executive directors reviewed the audit report submitted by ShineWing Certified Public Accountant. After the review, the Audit Committee of the Board held the opinion that: (1) The 2007 financial report audited by the ShineWing Certified Public Accountant was accurate and reliable. (2) The financial report fairly and accurately reflected the Company's business performance in 2007 and the preparation of the financial report was in compliance with the relevant laws and regulations and financial policies. (3) The Audit Committee of the Board agreed to submit the Company's 2007 Financial Statement and 2007 Annual Report and their summaries to the Board of Directors for the directors' review. (4) Given the good performance of ShineWing Certified Public Accountant and SHINEWING (HK) CPA Limited in providing service for the Company's 2007 audit report, the Audit Committee of the Board decided to assign ShineWing Certified Public Accountant and SHINEWING (HK) CPA Limited as the auditing institutions in 2008 and submit this proposal to the Board of Directors for directors' review.

Meanwhile, the Audit Committee reviewed the Self Assessment Report on the Internal Control of the Company at this meeting. After the review, the Audit Committee considered that: the Self Assessment Report on the Internal Control of the Company objectively reflected and evaluated the work done by the Company on strengthening the internal control system and the respective effect. The Company has established and completed a complete and reasonable internal control system in accordance with the requirements of the relevant laws, rules and regulations and of the relevant departments which ensure the overall normal operation of production and operation activities of the Company and lowered management risks to a certain extent. The Audit Committee decided to submit the Self Assessment Report on the Internal Control of the Company to the Board of Directors for consideration.

- (4) On 21 April 2008, the Audit Committee considered and approved the 2008 First Quarterly Report of the Company, which was submitted to the Board of Directors for consideration.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) CORPORATE GOVERNANCE REPORT *(Continued)*

#### 6. Power of the Board of Directors and senior management *(Continued)*

##### (2) Work of the committees under the Board of Directors *(Continued)*

###### *Performance of duties by Audit Committee under the Board of Directors (Continued)*

- (5) On 4 August 2008, the Audit Committee reviewed the financial statements of the 2008 Interim Report. After the review, the Audit Committee considered that: the contents of the statements are true and reliable and fairly and accurately reflected the operating results for the first half of 2008 of the Company. The preparation of the report was in compliance with the relevant rules and regulations and financial policies. The Audit Committee agreed to submit the financial statements of the 2008 Interim Report and the report summary to the Board of Directors for consideration.

Meanwhile, the Audit Committee reviewed the Report on Bad Debts Provision and Assets Impairment Provision on 30 June 2008 of the Company at this meeting. After the review, the Audit Committee agreed to the proposals on bad debts provision and assets impairment provision raised in the report and submitted them to the Board of Directors for consideration.

- (6) On 25 October 2008, the Audit Committee reviewed the 2008 Third Quarterly Report of the Company. After the review, the Audit Committee considered that the contents of the report truly and accurately reflected the operation in the third quarter of 2008 of the Company. The Audit Committee agreed to submit the 2008 Third Quarterly Report of the Company to the Board of Directors for consideration.

Meanwhile, the Audit Committee reviewed the Report on Assets Impairment Provision for Storage Goods of the Company at this meeting. After the review, the Audit Committee agreed to the proposals on assets impairment provision raised in the report and submitted them to the Board of Directors for consideration.

###### *Work on 2008 Annual Report and communication with accounting firm*

- (1) On 23 January 2009, the Audit Committee, independent directors of the Company and management of the Company communicated with the accounting firm for the annual auditing work for 2008. The management of the Company reported the state of operation of the Company in 2008 and analysed and explained the reasons for the downturn of indices including sales revenue and profits. The Audit Committee enquired into the issues they concerned one by one and advised that the Company should strengthen management and control on branches and subsidiaries.
- (2) On 4 March 2009, the Audit Committee, independent directors of the Company and the management of the Company further communicated with the accounting firm on the annual auditing work for 2008, had a discussion on a number of issues concerning on-site audit and came up with solutions to the issues. The accounting firm was also requested to actively work with the departments related to the preparation of the annual report of the Company and be serious and responsible in completing the preparation of annual report in time.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) CORPORATE GOVERNANCE REPORT *(Continued)*

#### 6. Power of the Board of Directors and senior management *(Continued)*

##### (2) Work of the committees under the Board of Directors *(Continued)*

*Work on 2008 Annual Report and communication with accounting firm (Continued)*

- (3) On 24 March 2009, the Audit Committee and independent directors of the Company reviewed the audit report issued by the accounting firm. After the review, the Audit Committee considered that: (1) The 2008 financial report audited by the ShineWing Certified Public Accountant was accurate and reliable. (2) The financial report fairly and accurately reflected the Company's financial position on 31 December 2008 and the operating results for 2008 and the preparation of the financial report was in compliance with the relevant laws and regulations and financial policies. (3) The Audit Committee of the Board agreed to submit the Company's 2008 Financial Statements and 2008 Annual Report and their summaries to the Board of Directors for the directors' review. (4) Given the good performance of ShineWing Certified Public Accountant and SHINEWING (HK) CPA Limited in providing service for the Company's 2008 audit report, the Audit Committee of the Board decided to assign ShineWing Certified Public Accountant and SHINEWING (HK) CPA Limited as the auditing institutions in 2009 and submit this proposal to the Board of Directors for directors' consideration. (5) The proposal for the framework of the work on annual report of the Audit Committee of the Board of Directors was considered and passed and was submitted to the Board of Directors for consideration. (6) No profit distribution plan for the year 2008 of the Company was considered and passed and was submitted to the Board of Directors for consideration. (7) The proposal of making up the loss of the Company was considered and passed and was submitted to the Board of Directors for consideration.

**The members of the Audit Committee and their attendance at the meeting are as follows:**

Name	Description	Required attendance in 2008 (occasions)	Attendance (occasions)
Wang Deyu <i>(Independent non-executive director)</i>	Chairman of the Committee	2	2
Xie Bingguang <i>(Independent non-executive director)</i>	Member of the Committee	2	2
Bai Fan <i>(Non-executive director)</i>	Member of the Committee	2	2
Li Yijing <i>(Former independent non-executive director)</i>	Chairman of the Committee	4	4
Shi Tiantao <i>(Former independent non-executive director)</i>	Member of the Committee	4	3
Jiang Jianming <i>(executive director)</i>	Member of the Committee	4	4

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) CORPORATE GOVERNANCE REPORT *(Continued)*

#### 6. Power of the Board of Directors and senior management *(Continued)*

##### (2) Work of the committees under the Board of Directors *(Continued)*

###### *Performance of duties by Remuneration and Monitoring Committee under the Board of Directors*

The major duties of the Remuneration and Monitoring Committee are to study and consider the Company's remuneration policy and incentive mechanism, and to formulate the appraisal standard for directors and senior management of the Company and to assess them.

The Remuneration and Monitoring Committee comprises three directors. During the reporting period, the Remuneration and Monitoring Committee convened three meetings. Details of which are as follows:

On 25 February 2008, the Performance Assessment Contract for Senior Management for 2008 was considered.

On 11 April 2008, the assessment results of the Performance Assessment Contract for Senior Management for 2007 was considered.

On 5 August 2008, the completion of the Performance Assessment Contract for Senior Management for the first half of 2008 was considered.

In 2009, the Remuneration and Monitoring Committee of the Board will continue to strengthen their work and further intensify the assessment on the senior management of the Company so as to help the Company formulate a better remuneration and assessment system.

Details of the Company's remuneration policies, remuneration of directors, appraisal of the senior management and the incentive mechanism are set out in Part V of this annual report headed "Directors, Supervisors, Senior Management and Staff".

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) CORPORATE GOVERNANCE REPORT *(Continued)*

#### 6. Power of the Board of Directors and senior management *(Continued)*

##### (2) Work of the committees under the Board of Directors *(Continued)*

*Performance of duties by Remuneration and Monitoring Committee under the Board of Directors (Continued)*

The members of the Remuneration and Monitoring Committee and their attendance at the meeting are as follows:

Name	Description	Required attendance in 2008 (occasions)	Attendance (occasions)
Wang Hui <i>(Independent non-executive director)</i>	Chairman of the Committee	1	1
Wang Deyu <i>(Independent non-executive director)</i>	Member of the Committee	1	1
Pang Liandong <i>(Chairman of the Board)</i>	Member of the Committee		
Wu Hongcho <i>(Former independent non-executive director)</i>	Chairman of the Committee	2	2
Li Yijing <i>(Former independent non-executive director)</i>	Member of the Committee	2	2
Wang Guohua <i>(Former chairman of the Board)</i>	Member of the Committee	3	3

*Performance of duties by Nomination Committee under the Board of Directors*

The principal duties of the Nomination Committee are to work over and hence give its opinion on candidates and election standard and procedures for directors and the senior management.

The Nomination Committee comprises three directors. During the reporting period, the Nomination Committee convened four meetings. Details of which are as follows:

On 16 January 2008, the proposal in respect of recommendation of candidates of directors and supervisors to subsidiary Shaanxi Beiren Printing Machinery Holdings Limited was considered and passed.

On 11 April 2008, the proposal in respect of recommendation of candidates of directors of the Sixth Board of Directors was considered and passed.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) CORPORATE GOVERNANCE REPORT *(Continued)*

#### 6. Power of the Board of Directors and senior management *(Continued)*

##### (2) Work of the committees under the Board of Directors *(Continued)*

*Performance of duties by Remuneration and Monitoring Committee under the Board of Directors (Continued)*

On 24 September 2008, the proposal in respect of recommendation of Mr. Duan Yuangang as the Chief Accountant of the Company was considered and passed.

On 27 October 2008, the proposal in respect of the appointment of directors to subsidiary Beijing Beiren Fuji Printing Machinery Limited was considered and passed.

The nomination process, recommendation procedure and qualification and basic requirements for directors are set out in the Articles of Association and by-laws of the Company. During the reporting period, the Nomination Committee supervised and guided the re-election of the Board of Directors and successfully completed its task.

The members of the Nomination Committee and their attendance at the meeting are as follows:

Name	Description	Required attendance in 2008	Attendance
Xu Wencai <i>(Independent non-executive director)</i>	Chairman of the Committee	2	2
Wang Hui <i>(Independent non-executive director)</i>	Member of the Committee	2	2
Deng Gang <i>(Non-executive director)</i>	Member of the Committee	4	4
Wu Hongcho <i>(Former independent non-executive director)</i>	Chairman of the Committee	2	2
Shi Tiantao <i>(Former independent non-executive director)</i>	Member of the Committee	2	2

#### 7. The management of the Company undertakes the following duties as stipulated in the Articles of Association:

To arrange and implement the Company's operating plan and investment plan;

To propose the establishment for internal management institutions of the Company;

To propose the basic management mechanism for the Company;

To appoint or dismiss other management members whose appointment and dismissal are not subject to the Board of Directors;

To formulate basic rules for the Company.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VIII) CORPORATE GOVERNANCE REPORT *(Continued)*

#### 8. **Auditors' remuneration**

At the 2007 Annual General Meeting convened on 18 June 2008, the Company re-appointed ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited as the domestic and overseas auditors of the Company for the year 2008 and authorised the Board to determine their remunerations.

During the reporting period, ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited reviewed the attached financial statements under the PRC accounting standards and the financial report prepared under the Hong Kong accounting standards.

During the reporting period, the remunerations payable to domestic and overseas auditors are Rmb1,000,000 for ShineWing Certified Public Accountants and Rmb300,000 for SHINEWING (HK) CPA Limited, respectively. The audit fee includes all fees related to audit services provided to the Company by the auditors, including audit fee and review fee.

As at 31 December 2008, ShineWing Certified Public Accountants has provided audit services for the Company for 2 years, and SHINEWING (HK) CPA Limited has provided audit services for the Company for 2 years.

A proposal will put forward on whether to re-appoint ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited as the Company's auditors for the year 2009 at the 2008 Annual General Meeting.

#### 9. **Responsibility statement on financial statements by the Board of Directors**

This statement is made for shareholders to differentiate the respective responsibilities of the directors and the auditors in connection with service reports, which should be read in conjunction with the Responsibility statement by auditors contained in the auditors' report set out in the financial statements.

The Board is of the opinion that as the Company's resources are sufficient for its operation in future, the financial statements have been prepared based on the going concern, that in preparation of such financial statements, applicable accounting policies were adopted and carried through with reasonable and prudent judgment and valuation, and that the preparation of the statements is in compliance with all accounting standards the Board considers applicable.

The directors are responsible to ensure that the accounts record prepared by the Company reasonably and accurately reflects the Company's financial position, and the financial statements are in compliance with relating accounting requirements in the PRC and Hong Kong.

#### 10. **Statement from the Company: The Company maintained sufficient public float during the reporting period.**



# INTRODUCTION TO THE ANNUAL GENERAL MEETING

## (I) ANNUAL GENERAL MEETING

On 18 June 2008, the Company convened the 2007 Annual General Meeting, announcement of resolutions passed at which was published on Shanghai Securities News, dated 19 June 2008, and on the website of Shanghai Stock Exchange at <http://www.sse.com.cn> and the website of The Stock Exchange of Hong Kong at <http://www.hkexnews.hk>:

At the meeting, the following proposals were considered and approved:

1. 2007 Board of Directors' Work Report of the Company was considered and approved;
2. 2007 Supervisory Committee's Work Report of the Company was considered and approved;
3. Full text of 2007 Annual Report of the Company was considered and approved;
4. 2007 Audited Domestic Auditor's Report of the Company was considered and approved;
5. 2007 Audited International Auditor's Report of the Company was considered and approved;
6. The proposal for no profit distribution of the Company for the year 2007 was considered and approved;
7. The proposal for re-appointing of ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited as the Company's domestic and overseas auditors for 2008 respectively and authorising the Board to execute agreements with them and to determine their remunerations was considered and approved;
8. The proposal on the directors' remuneration and the entering into of written contracts was considered and approved;
9. The proposal on supervisors' remuneration and the entering into of written contracts was considered and approved.
10. The proposal on the election of the new session of the Board of Directors of the Company was considered and approved. The tenure of office of the Sixth Board of Directors is 3 years.
11. The proposal on the election of the new session of Supervisory Committee of the Company was considered and approved. The tenure of office of the Sixth Supervisory Committee is 3 years.



## INTRODUCTION TO THE ANNUAL GENERAL MEETING

### (II) EXTRAORDINARY GENERAL MEETING

On 8 January 2009, the Company convened the first Extraordinary General Meeting of 2009 to resolve the announcement of the first Extraordinary General Meeting. The announcement of resolutions was published on Shanghai Securities News dated 9 January 2009 and on the website of Shanghai Stock Exchange at <http://www.sse.com.cn> and the website of The Stock Exchange of Hong Kong at <http://www.hkexnews.hk>:

At the meeting, the following proposals were considered and approved:

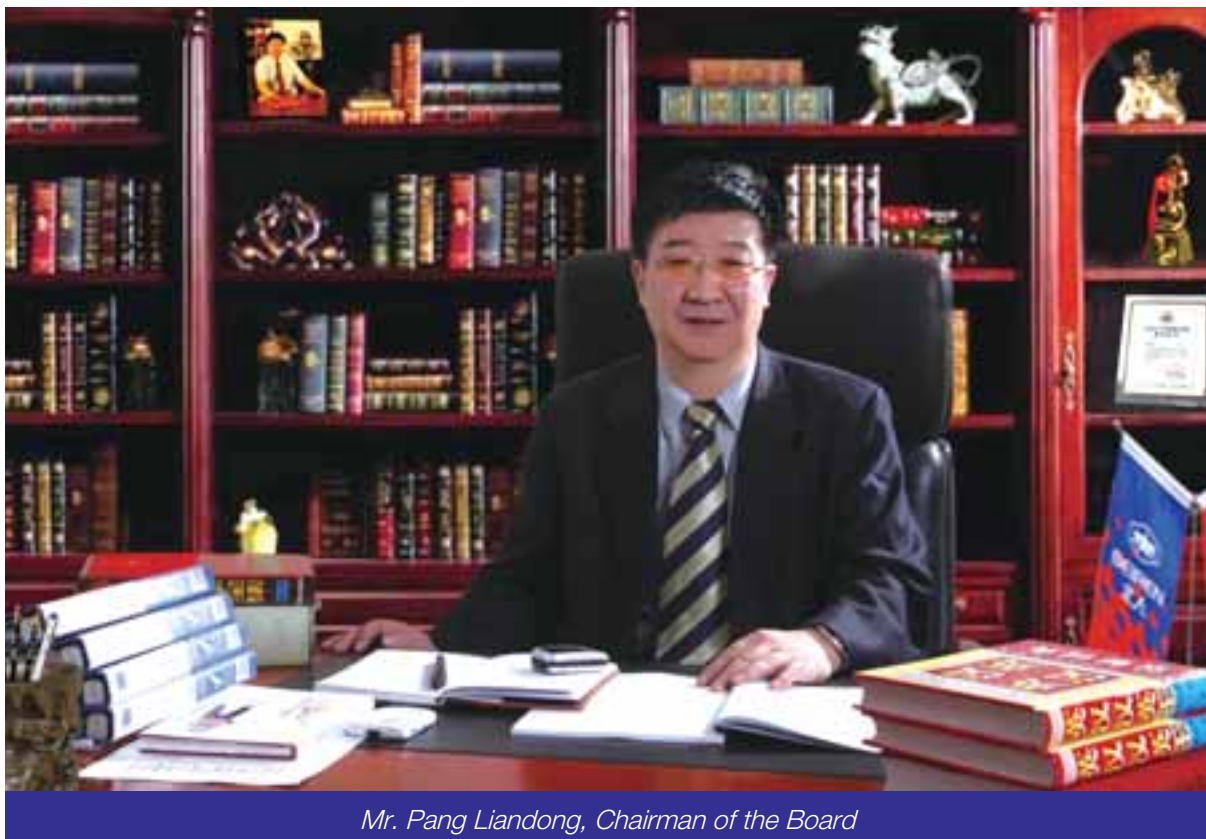
#### 1. Ordinary resolutions:

- (1) The proposal in respect of the addition of Mr. Pang Liandong and Mr. Duan Yuangang as the executive directors of the Sixth Board of Directors of the Company was considered and approved.
- (2) The proposal in respect of remuneration of additional directors and the entering into of written contracts was considered and approved.

#### 2. Special resolution:

- (1) The proposal in respect of amendments on the Articles of Association of the Company was considered and approved.

# CHAIRMAN'S STATEMENT



*Mr. Pang Liandong, Chairman of the Board*

## (I) REVIEW

Under a series of impacts of inflation in the cost of raw materials, rise in labour cost, appreciation in Renminbi, increase in interest rate and the global economic recession as a result of the US subprime mortgage crisis in 2008, downstream printing enterprises were burdened heavily that the pace for equipment upgrade declined drastically and the printing machinery market tightened significantly. The major customers of the Company, the small printing companies, were affected by factors including difficult credit condition, hindered export and rise in cost, and many of which had to solve the crisis by discontinuing business or even closing down the company. As a result, operating income of the Company decreased by 29.16% as compared to 2007, causing insufficient workload and rise in cost per hour. In addition to factors including inflation in the cost of raw materials as well as provision for impairments, the Company recorded a loss in profit. During the reporting period, operating income prepared in accordance with the PRC Accounting Standards was Rmb759,050,800 and net loss was Rmb263,141,600. Operating income prepared in accordance with Hong Kong Financial Reporting Standards was Rmb739,161,000 and net loss was Rmb265,426,000.

### 1. Launching evaluation on “11-5” strategies for perfecting the “11-5” strategic plan continuously

During the reporting period, the Company conducted an evaluation on “11-5” strategies on external environment, internal capacity, business combination, mode of management and control, organisational structure based on value chain as the subject. Analysis and study were conducted on the impact of items including simplification of workflow of multi-colour machinery, ERP and key businesses, optimisation of purchase and external coordination supplier, quality management system and designation of positions and responsibilities on the overall operation of the Company so as to confirm the reform proposal and implement it step by step.

### (I) REVIEW *(Continued)*

#### 2. **Bringing corporate governance and management and control system up to the regulated scientific management level for achieving the effect of corporate synergy**

During the reporting period, the promotion, implementation and training meeting on corporate governance and parent company's control over subsidiaries was convened. Management and control of subsidiaries were strengthened in terms of the six aspects including strategies, investment, human resources, finance, audit and information and special audit work were conducted one by one at all subsidiaries at the end of the year. The operation and management practice of subsidiaries were regulated overall which prevented operation risks and enhanced the level of management of the parent company over subsidiaries.

#### 3. **Adhering to budget management for enhancing capital utilisation rate of the Company**

During the reporting period, the Company adjusted its production plans, tightened its investment and strengthened budget management in a timely manner in accordance with market demands to guarantee the normal turnover of capital of the enterprise.

#### 4. **Strengthening production management and adhering to technological advancement for laying proper foundation for further development of the Company**

During the reporting period, the Company actively sought breakthroughs in the web-fed offset printing machinery market. Support in respect of technology, production and capital was given to web-fed offset press branches and technological improvements were made to BEIREN75A revolving presses with strengthened production management which further enhanced technique, quality and production efficiency of products.

#### 5. **Committed to building a community with social responsibility**

During the reporting period, a mega earthquake took place in Wenchuan, Sichuan. The Company organised earthquake relief and rescue teams at once to carry out repair and check up for users whose equipments were damaged in the disaster so as to help them resume production. As the printing machines developed by Beiren for filling the technological gap in the PRC, the Company's web-fed offset printing machine BEIREN75A was adopted by newspaper agencies including China Sports, Qingdao Daily and Jiangxi Daily, which became the main equipment for news reporting on the Beijing Olympics.



*On 25 October 2008, the Semi-final of the First National Printing Industry Occupational Skills Contest took place at Beiren. Contestants are using BEIREN300 4-colour offset press in the contest.*



*Chairman Mr. Pang Liandong and General Manager Mr. Zhang Peiwu visited the production staff on the first working day after the Chinese New Year*

## CHAIRMAN'S STATEMENT

### (II) PROSPECT

#### 1. Industry overview

- (1) On the macroeconomic front: The global economic crisis is further worsening. Various economic indicators in a number of countries including the US, the United Kingdoms, France and Germany were at historical low. A series of economic rescue initiatives were taken to address to economic recession. The State will implement policies including expansion of investment scale of the central government, interest rate cut, transformation of value-added tax, reduction in administrative charges and increasing residents' income in the series of policies on expanding domestic needs to be issued in 2009 to stimulate economic development. The series of policies is favourable to stimulating demands in printed materials and will further alleviate the burden of enterprises. However, relatively large pressure still exists in the improvements in demands in the printing machinery market which requires time to process the situation.
- (2) Press and printing machinery industry: In 2009, value-added tax transformation reform will be launched around the state. The government will enlarge support on loans for small and medium enterprises (most printing enterprises are small and medium enterprises). Rate of tax refund for export printed materials and printing equipments will also increase. Stimulations from these policies will suppress the worsening trend of the market in 2009. Nevertheless, slowdown in the growth of press and printing machinery industry will continue for a certain period of time.

#### 2. Key work of the Company in 2009

- (1) **Launching amendment work on strategies for ensuring strategic goals will meet the market demands**

Given the certain changes in external environment in 2008 and together with the operation status of the Company, the Company will revise the strategic plans in 2009 and set operation objectives and strategic measures which meet the actual state of the market in a reasonable manner so ensure the guiding effect on various work of the Company.
- (2) **Perfecting the organisational structure of the Company**

Adjustments will be made on existing organisational structure and an organisational structure with high performance in operation and in line with business workflow will be established so as to perfect the setup of organisation establishment and management system of the Company gradually and enhance operation efficiency of organisations.
- (3) **Strengthening regulation on internal control management of the Company for perfecting corporate governance**

Management and control on corporate governance and parent company's control over subsidiaries will be promoted to achieve the effect of corporate synergy. Workflow of key business will be re-simplified according to the requirements of corporate development strategies. Meanwhile, a complete internal control system will be set up for regulating internal control management to scientific level of management gradually before 1 July based on basic criteria in accordance with the requirements of Basic Criteria and Regulations on Corporate Internal Control issued by the five departments including the Ministry of Finance, CSRC, Audit Office, CBRC and CIRC.

### (II) PROSPECT *(Continued)*

#### 2. Key work of the Company in 2009 *(Continued)*

##### (4) Taking various measures actively to cope with economic recession

(1) In respect of sales: Marketing and sales tasks including market research and analysis, key customers development, maintenance and management as well as building up of after sales services system will be carried out properly (2) In respect of finance: A complete system of allocation and management of staff of financial organisation of the Company and branches will be established. Management on cost and expenses will be strengthened while a complete audit system will be set up. Supervision and management on the finance of the Company will be strengthened and a comprehensive budget management will be implemented. (3) In respect of technology: A new development mechanism will be established on the development of new products and improvement of old products and technological sources will be obtained from a variety of channels so as to secure the market through technological advancement. (4) In respect of management: Fundamental management including production management, quality management and supply chain management will continue to be strengthened to further enhance the level of comprehensive management of the Company.

- (5) The estimated operating income of the Company for the year 2009 will be Rmb782,450,000. In 2009, the Company will carry out 9 technological reform projects, with an investment budget of Rmb1,484,000. Eight projects were carried forward from 2008, with an investment of Rmb574,200. The projects are mainly for the purpose of equipment upgrade and reconstruction so as to enhance production efficiency and processing level. The funds of the Company are from self-owned funds and bank borrowings which can meet the needs of capital expenditure and daily operation.

On behalf of the Board of Directors

**Pang Liandong**

*Chairman*

30 March 2009



*Drupa, the printing equipment exhibition, was held in Düsseldorf, Germany, from 29 May to 11 June 2008. The photo illustrates the booth of the Company.*



*On 10 April 2008, the Company was recognised as "Enterprise with Trustworthy Quality of Printing Machinery Products 2007" and the Company became one of Top 500 Machinery Companies of China.*



# MANAGEMENT DISCUSSION AND ANALYSIS

## (I) THE COMPANY'S OPERATION DURING THE REPORTING PERIOD

### 1. Scope and status of principal businesses

#### (1) Scope of principal businesses during the reporting period

Development, design, production, sale of printing presses, pressing machines, packing machines, business forms printing presses, commercial revolving presses, commercial soft cover presses, intaglio presses, the parts and components for the aforesaid machines; technical consultancy, technical support; own export and export of member enterprises' self-produced products and technology; import of raw and auxiliary materials, instruments and meters, machines, parts and components and technology (except products restricted by the State from operating by enterprises and those restricted for import and export) for production of own enterprise and member enterprises; processing on customer-supplied materials and "processing raw materials on clients' demands, assembling parts for clients and processing according to clients' samples or compensation trade".

### 2. Explanations on the operation of principal businesses

In accordance with the PRC accounting standard, the Company recorded a principal operating income of Rmb759,050,800, representing a decrease of 29.16% compared with the previous year during the reporting period. Net loss was Rmb263,141,600, representing a decrease of 2,936.04% compared with the previous year. Loss per share was Rmb-0.62. In accordance with the Hong Kong accounting standard, turnover amounted to Rmb739,161,000 representing a decrease of 29.80% from the previous year. Net loss amounted to Rmb265,426,000, representing a decrease of 5,212.21% over last year. Loss per share was Rmb-0.629.



*Directors, Supervisors and Senior Management of the Company after the 2007 Annual General Meeting on 18 June 2008.*



*Mr. Pang Liandong and Mr. Duan Yuangang were added as directors of the Company at the 2009 First Extraordinary General Meeting of the Company on 8 January 2009.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### (II) THE COMPANY'S PRINCIPAL BUSINESSES AND THEIR OPERATING STATUS

#### 1. Principal businesses by product

Unit: Rmb

Sector of Product	Operating income	Operating costs	Operating profit margin (%)	Increase/ decrease in operating income over last year (%)	Increase/ decrease in operating costs over last year (%)	Increase/ decrease in operating profit margin over last year (%)
Offset press series	438,356,363.12	374,172,896.98	-37.88	-43.63	-38.68	Decreased by 38.89 percentage points
Intrusion printers series	206,252,498.91	185,703,111.91	-28.24	10.16	35.33	Decreased by 27.50 percentage points
Form presses series	43,715,971.81	38,690,163.02	-41.72	2.57	15.89	Decreased by 42.85 percentage points
Total	688,324,833.84	598,566,171.91	-35.24	-31.68	-23.34	Decreased by 35.93 percentage points

#### 2. Principal businesses by geographical location

Unit: Rmb

Geographical location	Operating income	Increase/decrease in operating income compared over last year (%)
Domestic	617,827,746.57	-35.10
Overseas	70,497,087.27	26.95
Total	688,324,833.84	-31.68



On 11 July 2008, the Company convened the Commendation and Debriefing Meeting for Earthquake Alleviation and Rescue Work and Reconstruction of Homes.



The National Day Celebration and BEIREN75A Commendation Ceremony was held on 26 September 2008.



## MANAGEMENT DISCUSSION AND ANALYSIS

### (II) THE COMPANY'S PRINCIPAL BUSINESSES AND THEIR OPERATING STATUS *(Continued)*

#### 3. Operation and business performance of major holding subsidiaries

Unit: Rmb

Company name	Nature of business	Main product or service	Registered capital	Asset size	Net profit
Beijing Beiren Fuji Printing Machinery Limited	Manufacture of printing presses	Form presses	42,328,060.26	95,542,277.11	-14,152,415.92
Haimen Beiren Fuji Printing Machinery Limited	Manufacture of printing presses machine	Quarto printing	51,000,000.00	65,507,632.93	-5,944,484.61
Hebei Beiren Paper-feeding Machine Factory	Parts for printing presses	Paper-feeding machine	5,000,000.00	9,584,782.31	-2,691,994.77
Beijing Beiren Jingyan Printing Machinery Factory	Parts for printing presses	Paper-feeding machine	21,050,000.00	25,942,960.15	-936,915.39
Beijing Beiren Yuxin Offset Printing Limited	Printing	Printing and packaging	22,430,000.00	50,396,017.18	-19,538,134.15
Shaanxi Beiren Printing Machinery Limited	Manufacture of printing presses	Intaglio presses	115,000,000.00	305,946,384.04	-55,896,522.23

#### 4. Information on major suppliers

Unit: Rmb0'000

Total procurement from the top five suppliers	5,845.86	Percentage accounting for total procurement	18.64%
Total sales from the top five customers	9,070.17	Percentage accounting for total sales	12.23%



*Signing ceremony of Jiangxi Daily's acceptance for production of Beiren's 75A presses on 5 August 2008.*



*The Launching and Training Meeting on Corporate Governance and Parent Company's Control over Subsidiaries was held from 19 to 20 June 2009.*

### (III) THE COMPANY'S INVESTMENT

#### 1. Use of fund raised

The Company's initial fund raised had been fully used as at 31 December 1998. Fund raised on the second time had also been fully used as at 31 March 2003. The use of fund has not been carried forward to the current reporting period.

#### 2. Projects financed by non-raised fund

During the reporting period, the Company has no projects financed by non-raised fund.

### (IV) ANALYSIS OF FINANCIAL STATUS AND BUSINESS PERFORMANCE DURING THE REPORTING PERIOD

#### 1. Operating results (prepared under PRC accounting standards)

In 2008, total profit of the Company decreased by Rmb298,649,900 or 2,915.64% as compared with the same period last year.

- (1) Operating income decreased by 29.16% while operating cost decreased by 16.89% as compared with last year. Gross profit margin for the year was 9.70% while gross profit margin for last year was 23.03%. The decrease in gross profit margin was due to 1) the impact of decline in the printing industry and the downturn in macroeconomy, leading to drastic decrease in demand for the year that, in the short term, selling price was unable to move and even exhibited a downward trend; 2) the inflation in the cost of production material and increase in labour cost, outsourcing processing fees and energy cost; 3) the drop in production volume so that amortisation of fixed cost was relatively high.
- (2) Business tax and surcharge decreased by 49.7% over last year mainly due to decrease in operating income; expenditure for the period increased by 16.44% over last year mainly due to impacts of increase in dismissal benefits as well as upward adjustment in the interest rate of bank loans during the year; loss in impairment of assets increased by 533.73% over last year mainly due to bad debts provision and provision for diminution in value of inventory; investment revenue decreased by 76.61% over last year mainly due to the impact of operating loss of associated companies.
- (3) Net non-operating income decreased by 51.24% over last year, mainly attributable to the decrease in government grants and deferred income.

#### 2. Analysis of assets, liabilities and equity interests

Total assets value amounted to Rmb1,959,518,200 during the reporting period, decreased by 11.61% as compared with the beginning of the year, of which inventory, accounts receivable, bills receivable, prepayments decreased substantially. Total liabilities amounted to Rmb1,036,691,600, increased by 2.63% as compared with the beginning of the year, mainly due to increase in dismissal benefits and prepayments of wages payable. Total equity interest attributable to shareholders amounted to Rmb922,826,600, decreased by 23.52% as compared with the beginning of the year.

#### 3. Financial position analysis

Under its prudent financial policies, the Company established a strict risk control system for investment, financing and cash management to maintain a moderate capital structure and solid finance sources. The Company has kept its finance size under strict control to satisfy the need of the Company to finance for operating activities while minimize its financial costs and prevent financial risks in a timely manner by utilizing financial instruments, so as to achieve a sustainable development of the Company and maximize its shareholders' value.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (IV) ANALYSIS OF FINANCIAL STATUS AND BUSINESS PERFORMANCE DURING THE REPORTING PERIOD *(Continued)*

#### 3. Financial position analysis *(Continued)*

##### Liquidity and capital structure

	2008	2007
(1) Assets-liabilities ratio	<b>52.91%</b>	45.57%
(2) Quick ratio	<b>44.32%</b>	64.33%
(3) Liquidity ratio	<b>110.15%</b>	134.31%

#### 4. Bank loans

The Company implemented its annual capital budget plan with due diligence and arranged bank factoring of accounts receivable and bills discounting business in accordance with the market conditions and requirement of customers to control the bank loan scale strictly. The Company utilized fully financial tools to reduce finance costs timely and defend against financial risks, by which the Company improved the profit of the Company and shareholders while satisfying the capital need of operating activities. As at the end of the reporting period, the Company had short-term loan Rmb360,692,800 (including bank factoring of accounts receivable), decreased by 1.2% as compared with the beginning of the year. Long-term loan was Rmb27,000,000, decreased by 6.9% as compared with the beginning of the year.

#### 5. Exchange Risk Management

The Company held a relatively small amount of deposits in foreign currencies. Daily expenses in foreign exchange mainly comprise dividends payable to holders of H Shares, fees payable to auditors, fees payable to Hong Kong Stock Exchange and for publication of information disclosure. The change in foreign exchange rates will not have material impact on the results of the Company.

### (V) PRINCIPAL SOURCES OF FUND AND ITS USE

#### 1. Cash flows from operating activities

The Company's cash inflows are mainly derived from revenue of goods selling. Cash outflow was mainly related to production and operating activities. The Company's cash inflow from operating activities for the reporting period amounted to Rmb840,122,600, while cash outflow amounted to Rmb827,884,600. Net cash flow during the reporting period from operating activities amounted to Rmb12,238,000.

#### 2. Cash flows from investment activities

Cash inflow from investment activities during the reporting period amounted to Rmb5,489,400, which was mainly attributable to the disposal of fixed assets and recovery of other long-term assets. Cash outflow to investment activities amounted to Rmb9,805,000, which was mainly used for capital expense on purchase and construction of fixed assets. The above expenditures were mainly financed by the Company's internal resources. Net cash flow from investment activities for the reporting period amounted to Rmb-4,315,600.

#### 3. Cash flows from fund-raising activities

Cash inflow from fund-raising activities during the reporting period amounted to Rmb405,950,000, which was mainly derived from bank loans and bank factoring of accounts receivable. Cash outflow from fund-raising activities during the reporting period amounted to Rmb445,514,800 was mainly for repayment of bank loans and interest. Net cash flow from fund-raising activities for the reporting period amounted to Rmb-39,564,800.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (VI) CAPITAL STRUCTURE

The Company's capital structure consists of interests and liabilities attributable to shareholders during the reporting period. Interests attributable to shareholders amounted to Rmb922,826,600; of which, minority interests amounted to Rmb25,959,500; and total liabilities amounted to Rmb1,036,691,600. Total assets amounted to Rmb1,959,518,200. As at the end of the year, the Company's gearing ratio was 52.91%.

#### Capital structure by liquidity

Total current liabilities	Rmb1,001,781,800	Accounting for 51.12% of the capital
Total equity interest	Rmb922,826,600	Accounting for 47.09% of the capital
of which: minorities interest	Rmb25,959,500	Accounting for 1.32% of the capital

### (VII) CONTINGENT LIABILITY

As at the end of the reporting period, the Company did not have any significant contingent liability.

### (VIII) ANALYSIS OF THE REASONS FOR MAJOR CHANGES IN OVERALL FINANCIAL POSITION COMPARED WITH LAST YEAR (PREPARED ACCORDING TO PRC ACCOUNTING STANDARDS)

- 1 Cash and cash balances decreased by 31.01% compared with the beginning of the year, mainly due to the decrease in operating income.
- 2 Bills receivable decreased by 78.8% compared with the beginning of the year, mainly due to bill discount or transfer by the Company at the end of the year.
- 3 Accounts receivable decreased by 28.28% compared with the beginning of the year, mainly due to the decrease in operating income and the increase in efforts in the collection of debts by the Company.
- 4 Inventories decreased by 3.49% compared with the beginning of the year, mainly due to insufficient estimation of the market trends at the beginning of the year; inventories did not decrease substantially as at the end of the period due to normal practice of production and manufacturing despite the deceleration of production progress. The decrease in production volume has increased the unit production cost of products accordingly.
- 5 Long-term equity investment decreased by 40.15% compared with the beginning of the year, mainly due to the operating loss of associated companies.
- 6 Accounts payable increased by 17.59% compared with the beginning of the year, mainly due to extension of payment term of the Company.
- 7 Tax payable increased by 41.1% compared with the beginning of the year, mainly due to the increase in outstanding account of tax payable.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **(VIII) ANALYSIS OF THE REASONS FOR MAJOR CHANGES IN OVERALL FINANCIAL POSITION COMPARED WITH LAST YEAR (PREPARED ACCORDING TO PRC ACCOUNTING STANDARDS) (Continued)**

- 8 Undistributed profit decreased by 1,638.48% compared with the beginning of the year, mainly due to loss during the year.
- 9 Operating income decreased by 29.16% compared with the beginning of the year. Operating cost decreased by 16.89% compared with the beginning of the year. Gross profit margin for the year was 9.70% while gross profit margin for last year was 23.03%. The decrease in gross profit margin was due to 1) the impact of decline in the printing industry and the downturn in macroeconomy, leading to drastic decrease in demand for the year; 2) the inflation in the cost of production material and increase in labour cost, outsourcing processing fees and energy cost; 3) the drop in production volume so that amortisation of fixed cost was relatively high.
- 10 Expenditure for the period increased by 16.44% compared with the beginning of the year, mainly due to the increase in dismissal benefits, the disposal of obsolescent and short assets as well as upward adjustment in the interest rate of bank loans for the year.
- 11 Impairment loss on assets increased by 533.73% compared with the same period of last year, mainly due to bad debts provision and provision for diminution in value of inventory;
- 12 Investment revenue decreased by 76.61% compared with the same period of last year, mainly due to the impact of operating loss of associated companies.
- 13 Net non-operating income decreased by 51.24% compared with the same period of last year, mainly due to the decrease in government subsidies and deferred income.

# REPORT OF THE DIRECTORS

## (I) THE BOARD'S DAILY WORK

### 1. Details of Meetings and Resolutions

The 22nd meeting of the Fifth Board was convened on 17 January 2008. This meeting was held by means of written resolutions, at which, the recommendation of candidates for director and supervisor to subsidiary Shanxi Beiren Printing Machinery Limited was considered and approved.

The 23rd meeting of the Fifth Board was convened on 28 February 2008. 1. The Performance Assessment Contract for Senior Management for the year 2008 of the Company was considered and approved; 2. the proposal of the application for credit facilities and loans by the Company to the banks in 2008 was considered and approved; 3. the proposal of Working Regulations on Annual Report for Independent Directors of Beiren Printing Machinery Holdings Limited was considered and approved. The resolutions were published on Shanghai Securities News, the website of Shanghai Stock Exchange and the HKEx news website of The Stock Exchange of Hong Kong Limited on 1 March 2008.

The 24th meeting of the Fifth Board was convened on 15 April 2008. 1. The 2007 Annual Report of the Company and its summary were considered and approved; 2. the 2007 Board of Directors' Work Report of the Company was considered and approved; 3. the 2007 financial statement of the Company was considered and approved; 4. the proposal of re-appointment of ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited as domestic and overseas auditors of the Company for 2008 respectively was considered and approved; 5. the proposal of payment of audit fee to ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited for 2007 was considered and approved; 6. the proposal for no profit distribution of the Company for 2007 was considered and approved; 7. the proposal by the Nomination Committee of the Board of Directors of nominating Mr. Wang Guohua, Mr. Deng Gang, Mr. Bai Fan, Mr. Zhang Peiwu, Mr. Yu Baogui, Mr. Yang Zhendong, Mr. Jiang Jianming, Mr. Xu Wencai, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu as candidates for directors of the Sixth Board of Directors of the Company, wherein Mr. Xu Wencai, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu as candidates for independent non-executive directors of the Sixth Board of Directors of the Company, was considered and approved; 8. the Company's plans of director remuneration and conclusion of written contract was considered and approved; 9. the proposal of provision for impairment on assets of the Company for the year 2007 was considered and approved; 10. the 2007 internal control report of the Company was considered and approved; 11. the 2008 technological reform plan of the Company was considered and approved; 12. amendments to detailed implementation rules for each committee of the Board of Directors were considered and approved; 13. the reports from the senior management of the Company on their duties were considered and approved; 14. the results of performance assessment on senior management staff of the Company for 2007 were considered and approved. The resolutions were published on Shanghai Securities News, the website of Shanghai Stock Exchange and the HKEx news website of The Stock Exchange of Hong Kong Limited on 16 April 2008.

The 25th meeting of the Fifth Board was convened on 24 April 2008. This meeting was held by means of written resolutions, at which, the 2008 First Quarterly Report of the Company was considered and approved.

## REPORT OF THE DIRECTORS

### (I) THE BOARD'S DAILY WORK *(Continued)*

#### 1. Details of Meetings and Resolutions *(Continued)*

The 1st meeting of the Sixth Board was convened on 18 June 2008. 1. The proposal of election of chairman and vice chairman of the Sixth Board of Directors of the Company was considered and approved; 2. the proposal related to the appointment of the General Manager and the secretary to the Board of Directors was considered and approved; 3. the proposal related to the appointment of the Deputy General Manager and Chief Accountant of the Company was considered and approved; 4. the members of special committees of the sixth Board of Directors were considered and approved; 5. the Terms of Reference of General Manager of Beiren Printing Machinery Holdings Limited were considered and approved; 6. the "11-5 Strategy" of the Company's subsidiary Beijing Beiren Fuji Printing Machinery Company Limited was considered and approved; 7. the proposal of the Company to continue to proportionately furnish one year guarantee of loan in the amount of RMB17,500,000 to Beijing Beiren Fuji Printing Machinery Company Limited ("Beiren Fuji") was considered and approved; 8. the independent non-executive directors of the Company have issued their independent opinion on matters including the appointment of General Manager, Secretary to the Board of Directors, Deputy General Manager and Chief Accountant at the 1st meeting of the sixth Board of Directors. The resolutions were published on Shanghai Securities News, the website of Shanghai Stock Exchange and the HKEx news website of The Stock Exchange of Hong Kong Limited on 19 June 2008.

The 2nd meeting of the Sixth Board was convened on 24 July 2008. The Explanation for the Progress of Strengthening the Corporate Governance of the Beiren Printing Machinery Holdings Limited was considered and approved. The resolution was published on Shanghai Securities News, the website of Shanghai Stock Exchange and the HKEx news website of The Stock Exchange of Hong Kong Limited on 25 July 2008.

The 3rd meeting of the Sixth Board was convened on 11 August 2008. 1. The full text and summary of 2008 Interim Report of the Company were considered and approved; 2. the proposal of impairment provisions for the first half of 2008 of the Company was considered and approved; 3. the reports from the senior management of the Company on their jobs in the first half year had been heard and the result of their performance review prepared by the Remuneration and Supervisory Committee were approved. The resolutions were published on Shanghai Securities News, the website of Shanghai Stock Exchange and the HKEx news website of The Stock Exchange of Hong Kong Limited on 12 August 2008.

The 4th meeting of the Sixth Board was convened on 21 October 2008. The proposal of appointment of Mr. Duan Yuangang as the Chief Accountant of the Company was considered and approved at the meeting. The resolution was published on Shanghai Securities News, the website of Shanghai Stock Exchange and the HKEx news website of The Stock Exchange of Hong Kong Limited on 22 October 2008.



### (I) THE BOARD'S DAILY WORK *(Continued)*

#### 1. Details of Meetings and Resolutions *(Continued)*

The 5th meeting of the Sixth Board was convened on 30 October 2008. 1. The 2008 Third Quarterly Report of the Company was considered and approved; 2. the proposal of impairment provisions for the third quarter of 2008 of the Company was considered and approved. The resolutions were published on Shanghai Securities News, the website of Shanghai Stock Exchange and the HKEx news website of The Stock Exchange of Hong Kong Limited on 31 October 2008.

The 1st extraordinary meeting of the Sixth Board was convened on 20 November 2008. 1. The proposal of the resignation of Mr. Wang Guohua as a director and the chairman of the Board of the Company was considered and approved; 2. the proposal by the substantial shareholder of the Company to nominate Mr. Pang Liandong and Mr. Duan Yuangang as candidates for additional directors of the Sixth Board of Directors of the Company was considered and approved, and was proposed to the first extraordinary general meeting of 2009 for consideration; 3. the proposal of the remuneration and the conclusion of written contracts of the additional directors were considered and approved, and were proposed to the first extraordinary general meeting of 2009 for consideration; 4. the proposal of amendment to the Articles of Association of the Company was considered and approved, and was proposed to the first extraordinary general meeting of 2009 for consideration. The resolutions were published on Shanghai Securities News, the website of Shanghai Stock Exchange and the HKEx news website of The Stock Exchange of Hong Kong Limited on 21 November 2008.

The 6th meeting of the Sixth Board was convened on 9 December 2008. This meeting was held by means of written resolutions, at which, 1. the Board agreed to be transferred the Rmb6,328,000 equity interest in Shanxi Beiren Printing Machinery Limited held by the Xi'an Office of China Huarong Asset Management Corporation; 2. the proposal of appointment and removal of directors and supervisors of a subsidiary was considered and approved; the amended Articles of Association of subsidiary Beiren Fuji Printing Machinery Limited were considered and approved.



## REPORT OF THE DIRECTORS

### (II) IMPLEMENTATION OF RESOLUTIONS OF GENERAL MEETINGS BY THE BOARD OF DIRECTORS

During the reporting period, the Company held the 2007 Annual General Meeting. The Board performed their duty in strict accordance with the Company's Articles of Association and relevant laws and regulations and implemented the resolutions of the shareholders' general meetings with due diligence.

### (III) PROFIT DISTRIBUTION PLAN OR PLAN TO CONVERT SURPLUS RESERVES INTO SHARE CAPITAL

According to the PRC accounting standards, the Company realized a net profit of Rmb-263,141,600 during the reporting period; the net undistributed profit was Rmb-247,081,500 at the end of the year. According to the Hong Kong Financial Reporting Standards, the Company realized a net profit of Rmb-265,426,000 during the reporting period. Due to the loss recorded during the reporting period, the Company did not recommend to distribute profit or to transfer capital reserve to share capital for 2008 as the profit to be distributed to shareholders would be small.

### (IV) DISTRIBUTION OF DIVIDENDS OF THE COMPANY IN THE PREVIOUS THREE YEARS:

*Unit: Rmb*

<b>Year of distribution of dividends</b>	<b>Amount of cash dividends (including tax)</b>	<b>Net profit of the year of dividend distribution (after adjustment)</b>	<b>Percentage (%)</b>
2005	29,540,000	25,673,608.47	115.06
2006	0	-103,129,983.00	0
2007	0	9,278,498.87	0

### (V) FIXED ASSETS

Movements in fixed assets for the year are set out in the accounts prepared according to the accounting principles recognized by Hong Kong ("HK GAAP"), as well as the notes to financial statements prepared according to the PRC accounting standards.

### (VI) CONSTRUCTION IN PROGRESS

Particulars and movements in construction-in-progress for the year are set out in the accounts prepared according to HK GAAP and the notes to the financial statements prepared according to the PRC accounting standards.

### (VII) INVESTMENTS IN SUBSIDIARIES

Particulars of subsidiaries are set out in the accounts prepared according to HK GAAP.

### **(VIII) ASSOCIATED COMPANIES' INTEREST**

Particulars of associated companies are set out in the accounts prepared according to HK GAAP.

### **(IX) OTHER ASSETS**

Particulars of other assets are set out in the accounts prepared according to HK GAAP.

### **(X) RESERVES**

Movements in reserves for the year are set out in the accounts prepared according to HK GAAP and in the notes to the financial statements prepared according to the PRC accounting standards.

### **(XI) BANK LOAN**

Bank loans as at 31 December 2008 are set out in notes to the financial statements prepared according to the PRC Accounting Standards.

### **(XII) THE COMPANY'S PENSION SCHEME**

In accordance with the relevant regulations of the State Council's Decisions Regarding Reform of Employee Retirement Insurance Scheme, the Company is required to pay the Chinese government an amount equivalent to 20% of the total amount of salary as the basic contribution to the Employee Retirement Insurance Scheme. In 2008, a total of Rmb26,279,900 was contributed to the Employee Retirement Insurance Scheme. Apart from the said contribution, the Company has no other commitments or liabilities related to pensions.

### **(XIII) CONNECTED TRANSACTIONS**

- (1) Please refer to the notes to the accounts prepared according to HK GAAP and the notes to the financial statements prepared according to the PRC accounting standards for the particulars of connected transactions during the year.
- (2) Each independent non-executive director confirmed that all the connected transactions were entered according to normal commercial terms were in line with the ordinary and usual course of business of the Company and its member companies. All the terms were either normal business terms or were not less favourable than the preferential treatments offered to the third parties, and were fair and reasonable as far as the Company's shareholders were concerned.

### **(XIV) STAFF QUARTERS**

The Company did not sell any public housing flats to staff at the end of 2008. In accordance with State policies, the Company contributed to the public housing fund on the basis of 12% of the average monthly salary of the existing employees for the previous year, which did not pose any significant impact on the Company's business performance. In accordance with the spirit of the "(2000) Jing Fang Gai Ban, Zi Document No. 080", Notice in relation to issues of the Increase in Beijing's Public Housing Rentals and Allowances, issued by the Housing Reform Office of Beijing Municipal Government, the Beijing Financial Bureau and the Commodity Price Bureau of Beijing, the Beijing State Land Resources Bureau, and the Housing Administration Bureau, as well as integrating with the Company's actual situation, the Company provided a housing allowance of Rmb70 to Rmb80 per month to its staff starting from 1 April 2000 onwards.



## REPORT OF THE DIRECTORS

### **(XV) EMPLOYEES' BASIC MEDICAL INSURANCE**

Since October 2001, the Company has been implementing Provisions regarding Basic Medical Insurance in Beijing, and implementing employees' basic medical insurance system in accordance with the provisions. Medical expenses for former and retired employees are paid out of staff welfare funds and administrative expenses separately. After carrying out new provisions, the Company is required to pay basic medical insurance calculated as 9% of employees' total wages; large medical expenses mutual fund, calculating on the basis of 1% of employees' total wages, shall be paid out of the welfare fund; provision of supplementary medical insurance shall be prepared on the basis of 4% of employees' total wages for medical expenses in accordance with supplementary qualifications on reimbursement of medical insurance set out in Provisions regarding Basic Medical Insurance in Beijing. Employees' welfare fund is calculated in accordance with the actual status, but the total of which should not exceed 14% of total wages of existing employees.

### **(XVI) ANNUAL GENERAL MEETING**

The Board of Directors proposed that the Annual General Meeting for 2008 to be held on 26 May 2009.

# REPORT OF THE SUPERVISORY COMMITTEE

## (I) WORK OF THE SUPERVISORY COMMITTEE

### **Meeting convened by the Supervisory Committee**

The First Meeting of the Fifth Supervisory Committee for the year 2008 was held at the Conference Room of the Company on 15 April 2008. All of the three supervisors attended the meeting, which was presided over by Mr. Xiao Maolin, Chairman of Supervisory Committee.

The Second Meeting of the Fifth Supervisory Committee for the year 2008 was held at the Conference Room of the Company on 24 April 2008. All of the three supervisors attended the meeting, which was presided over by Mr. Xiao Maolin, Chairman of Supervisory Committee.

The First Meeting of the Sixth Supervisory Committee was held at the Conference Room of the Company on 18 June 2008. All of the three supervisors attended the meeting, which was presided over by Mr. Xiao Maolin.

The Second Meeting of the Sixth Supervisory Committee was held at the Conference Room of Henan Plaza Hotel on 11 August 2008. All of the three supervisors attended the meeting, which was presided over by Mr. Xiao Maolin, Chairman of Supervisory Committee.

The Third Meeting of the Sixth Supervisory Committee was held at the Conference Room of the Company on 30 October 2008. All of the three supervisors attended the meeting, which was presided over by Mr. Xiao Maolin, Chairman of Supervisory Committee.

### **Details of the meeting of the Supervisory Committee**

The following were considered and approved at the meeting: 1. The 2007 Supervisory Committee's Work Report; 2. The 2007 Annual Report of the Company and its summary; 3. The 2007 audited Financial Statements; 4. No profit distribution plan of the Company for 2007; 5. Proposal of provision for impairment on assets of the Company for the year 2007; 6. The 2007 Internal Control Report of the Company; 7. Recommendations of Mr. Xiao Maolin and Mr. Guo Xuan as candidates for the sixth supervisors by the Supervisory Committee were agreed, and in accordance with the result of democratic election by employees of the Company, Mr. Shao Zhenjiang was selected as supervisor representative of employees of the sixth Supervisory Committee; 8. Plans of supervisor's remuneration and conclusion of written contract.

The following were considered and approved at the meeting: 1. The 2008 First Quarterly Report of the Company; 2. The Supervisory Committee reviewed the 2008 First Quarterly Report prepared by the Board and issued written opinions.

Mr. Xiao Maolin was voted as Chairman of the Sixth Supervisory Committee of the Company at the meeting.

The following were considered and approved at the meeting: 1. The 2008 Interim Report of the Company and Summary; 2. The proposal of impairment provision of the Company for the first half of 2008; 3. The Supervisory Committee reviewed the 2008 Interim Report prepared by the Board and issued written opinions.

The following were considered and approved at the meeting: 1. The 2008 Third Quarterly Report of the Company; 2. The Supervisory Committee reviewed the 2008 Third Quarterly Report prepared by the Board and issued written opinions 3. The proposal of impairment provision of the Company for the third quarter of 2008.

## REPORT OF THE SUPERVISORY COMMITTEE

### **(II) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON OPERATING IN COMPLIANCE WITH LAWS BY THE COMPANY**

The Supervisory Committee is of the view that, during the reporting period, the work of the Board of the Company strictly complied with the Company Law, Securities Law, the Listing Rules, Articles of Association of the Company and other relevant laws and regulations. The material decisions of the Company were scientific and reasonable and the procedures of decision were lawful and effective. Meanwhile, the Company has established and improved its internal management and control system. Directors and General Manager of the Company were able to carry out their duties earnestly, in strict compliance with the principle of honesty and in the best interests of the Company. There had been no violation of the laws, regulations, the Articles of Association of the Company or behavior in detrimental to the interests of the Company.

### **(III) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON REVIEW OF THE COMPANY'S FINANCIAL POSITION**

The Supervisory Committee is of the opinion that the 2008 financial report objectively reflected the financial position and the operating results of the Company. The Supervisory Committee has diligently reviewed the Financial Statements and other accounting data of the Company and is of the view that the income and expenditure were clearly stated in the accounts of the Company, and that accounting and financial management had complied with the relevant requirements, and no problem was found. SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountants have audited the Financial Report of the Company for 2008 in accordance with HK GAAP and PRC accounting standards and issued their respective auditors' report with unqualified opinion. The Supervisory Committee considers that the auditors' report truly reflects the financial status, operating results and cash flows of the Company and that the auditors' report is fair, objective, true and reliable.

### **(IV) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON USE OF THE LAST RAISED PROCEEDS BY THE COMPANY**

The last proceeds of the Company were raised at the end of 2002 and used up as at 31 March 2003. The actual projects financed by the proceeds were consistent with the undertaken investment projects without change.

### **(V) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON ACQUISITION AND DISPOSAL OF ASSETS OF THE COMPANY**

The Company had no material acquisition and disposal of assets during the reporting period.

### **(VI) OPINION OF THE SUPERVISORY COMMITTEE ON CONNECTED TRANSACTIONS OF THE COMPANY**

The Company had no material connected transactions during the reporting period.

**Xiao Maolin**

*Chairman of the Supervisory Committee*

30 March 2009

# MAJOR EVENTS

## (I) MATERIAL LITIGATION AND ARBITRATION

During the year, the Company was not engaged in any material litigation or arbitration.

## (II) EVENTS RELATED TO INSOLVENCY AND RESTRUCTURING

During the year, the Company had no event related to insolvency and restructuring.

## (III) ANALYSIS ON OTHER MATERIAL EVENTS AND THEIR IMPACTS AND THE RESOLUTIONS

During the year, the Company was not interested in other listed companies or participated in the equity interest of financial enterprises.

## (IV) ACQUISITION AND DISPOSAL OF ASSETS AND MERGERS OF THE COMPANY DURING THE REPORTING PERIOD

During the year, the Company had no event concerning acquisition and disposal of assets and mergers.

## (V) MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY DURING THE REPORTING PERIOD

During the year, the Company had no material connected transactions.

### Connected Transactions Related to Day-to-day Operation

#### (1) Major and connected transactions related to purchase of goods and receipt of labour service

Unit: Rmb

Connected transactions	Connected parties	Pricing basis	Amount of connected transaction	Percentage of amount of transaction of similar type (%)
Beiren Group Corporation	Purchase of goods	Negotiated price	821,818.89	0.15
Beijing Monigraf Automatic Systems Company Limited	Purchase of goods	Negotiated price	13,311,452.00	2.48
Beijing Beiyong Casting Company Limited	Purchase of goods	Negotiated price	14,812,496.66	2.76
Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited	Purchase of goods	Negotiated price	63,898,720.15	11.92
Beiren Group Corporation	Trademark use fee	Negotiated price	3,818,973.72	100
Beiren Group Corporation	Land use fee paid	Negotiated price	850,121.48	100
Beijing Jingcheng Machinery Electronic Holding Company Limited	Funding for R&D of special project	Agreement	5,000,000.00	100

## MAJOR EVENTS

### (V) MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY DURING THE REPORTING PERIOD *(Continued)*

#### (2) Connected transactions related to sales of goods and provision of labour service

Unit: Rmb

Connected transactions	Connected transactions	Pricing basis	Amount of connected transaction	Percentage of amount of transaction of similar type (%)
Beijing Yan Long Import and Export Company	Sales of goods	Negotiated price	5,064,102.56	0.68
Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited	Sales of goods	Negotiated price	8,228,143.41	1.11
Beijing Beiyong Casting Company Limited	Income from leasing assets	Negotiated price	4,407,064.68	50.83
Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited	Income from leasing assets	Negotiated price	1,817,636.00	20.96
Beijing Monigraf Automatic Systems Company Limited	Income from leasing assets	Negotiated price	90,000.00	1.04
Beiren Group Corporation	Income from leasing assets	Negotiated price	930,000.00	10.73

### (VI) MATERIAL CONTRACTS AND THEIR PERFORMANCE

#### 1. CUSTODY, CONTRACTING, LEASES

##### (1) CUSTODY

During the year, the Company had no custody.

##### (2) CONTRACTING

During the year, the Company had no contracting.

##### (3) LEASES

During the year, the Company had no leases.

#### 2. GUARANTEES

Unit: Rmb0'000

##### External guarantees by the Company (excluding guarantees for the subsidiaries)

Guaranteed parties	Incurring date (the signature date of the agreement)	Guaranteed amount	Type of guarantee	Term of guarantee	Completion or not	Guarantees for connected parties or not
-	-	-	-	-	-	-
Total amount of guarantee during the reporting period						-
Total balance of guarantee at the end of the reporting period						-

##### Guarantees for subsidiaries by the Company

Total amount of guarantee for subsidiaries during the reporting period	1,550
Total balance of guarantee for subsidiaries at the end of the reporting period	1,550

##### Total amount of guarantee by the Company (including guarantee for subsidiaries)

**(VI) MATERIAL CONTRACTS AND THEIR PERFORMANCE** *(Continued)*

**2. GUARANTEES** *(Continued)*

Total amount of guarantee	1,550
Percentage of total amount of guarantee over net assets of the Company	1.7%
Including:	
Amount of guarantees provided for shareholders, beneficial controllers and their connected parties	–
The amount of debt guarantee provided, either directly or indirectly, for guaranteed parties whose gear ratio is larger than 70%	–
Amount of total guarantee beyond 50% of net assets	–
Total amount of the above three guarantees	1,550

**3. ASSET MANAGEMENT ON TRUST**

During the year, the Company did not have asset management on trust.

**4. OTHER MATERIAL CONTRACTS**

During the year, the Company did not have any other material contracts.

**(VII) PERFORMANCE OF UNDERTAKINGS**

**1. Undertakings during the reporting period or carried on within the reporting period of the Company or shareholders holding 5% or more of the shares**

Item	Detail	Performance
Undertakings on share reform	The sole shareholder of non-circulating shares of the Company undertakes that, 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; 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; within the aforesaid period, the selling price of such shares subsequently listed on the stock exchange will not be lower than 110% (Rmb4.29 per share) of the weighted average price of the A-share in circulation of 30 trading days before the announcement of the Share Segregation Reform Proposal; and 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 shareholder of non-circulating shares of the Company has strictly performed the undertakings it made in the course of the share segregation reform.



## MAJOR EVENTS

### (VIII) APPOINTMENT OR DISMISSAL OF ACCOUNTANTS OF THE COMPANY

*Unit: Rmb 0'000*

Whether to appoint another accounting firm:	No
	<b>Current appointment</b>
Name of domestic accounting firm	ShineWing Certified Public Accountants
Remuneration of domestic accounting firm	100
Term of audit of domestic accounting firm	2
Name of overseas accounting firm	SHINEWING (HK) CPA Limited
Remuneration of overseas accounting firm	30
Term of audit of overseas accounting firm	2

### (IX) THE PUNISHMENTS AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS OF THE COMPANY AND BENEFICIAL CONTROLLERS

During the year, none of the Company and its Directors, supervisors, senior management, shareholders of the company and beneficial controllers was subject to examinations, administrative punishments and public criticism by CSRC. Nor were they publicly reprimanded by the Stock Exchange.

**(X) NOTES ON OTHER MATERIAL EVENTS****1. Deposits and loans**

The deposit of Rmb5 million placed with Ying Peng Cooperative Credit Union was not recovered and has been fully provided for as bad debts. During the end of the period, pursuant to its bankruptcy and liquidation report and the civil ruling, the Credit Union was adjudged insolvency and its procedure of bankruptcy and liquidation was terminated. Accordingly, this amount was written off and recorded in the corresponding bad debt provision.

**2. Disposal of subsidiaries and associates during the reporting period**

During the reporting period, the subsidiary of the Company Sheenlite Limited liquidated and closed down. Accordingly, it was written off and recorded in the corresponding bad debt provision.

**3. As compared with the previous published annual report, the subsidiary of the Company Sheenlite Limited was excluded from the scope of consolidation during the reporting period due to its liquidation and close of business. Save for this, there were no other changes.****4. Income tax**

The tax rate applied on the enterprise income tax of the company was 25%.

**5. The 2008 financial report has been reviewed and confirmed by the audit committee under the board of directors****6. Code on Corporate Governance Practices**

During the reporting period, the Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**7. 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 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 12 months ended 31 December 2008.

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

## MAJOR EVENTS

### (XI) ACCESS TO DISCLOSEABLE INFORMATION

<b>Events</b>	<b>Name and page of publication</b>	<b>Date of publishing</b>	<b>Websites and search path</b>
Announcement of unusual price movements	Shanghai Securities News (D8)	4 January 2008	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>
Announcement on estimated business performance for the financial year 2007 – turning deficit into profit	Shanghai Securities News (D19)	30 January 2008	Same as above
Announcement of resolutions passed at the 23rd meeting of the Fifth Board of Directors	Shanghai Securities News (A44)	1 March 2008	Same as above
2007 Annual Report Summary	Shanghai Securities News (D11)	16 April 2008	Same as above
Announcement of resolutions passed at the 24th meeting of the Fifth Board of Directors	Shanghai Securities News (D11)	16 April 2008	Same as above
Announcement of resolutions passed at the meeting of the Supervisory Committee	Shanghai Securities News (D11)	16 April 2008	Same as above
Indicative announcement on decline in results for the first quarter of 2008	Shanghai Securities News (D11)	16 April 2008	Same as above
Announcement of unusual price movements	Shanghai Securities News (A47)	21 April 2008	Same as above
2008 First Quarterly Report	Shanghai Securities News (D74)	25 April 2008	Same as above
Notice of 2007 Annual General Meeting	Shanghai Securities News (D173)	30 April 2008	Same as above
Supplemental Announcement on 2007 Annual Report	Shanghai Securities News (23)	10 May 2008	Same as above

### (XI) ACCESS TO DISCLOSEABLE INFORMATION *(Continued)*

<b>Events</b>	<b>Name and page of publication</b>	<b>Date of publishing</b>	<b>Websites and search path</b>
Announcement on listing of circulating shares subject to trading moratorium	Shanghai Securities News (D12)	20 May 2008	Same as above
Announcement of resolutions passed at the 2007 Annual General Meeting	Shanghai Securities News (D5)	19 June 2008	Same as above
Announcement of resolutions passed at the first meeting of the Sixth Board of Directors	Shanghai Securities News (D5)	19 June 2008	Same as above
Announcement of resolutions passed at the first meeting of the Sixth Supervisory Committee	Shanghai Securities News (D5)	19 June 2008	Same as above
Announcement in respect of estimated loss for the first half of 2008	Shanghai Securities News (D5)	4 July 2008	Same as above
Announcement of resolutions passed at the second meeting of the Sixth Board of Directors	Shanghai Securities News (C31)	25 July 2008	Same as above
2008 Interim Report Summary	Shanghai Securities News (C28)	12 August 2008	Same as above
Announcement of resolutions passed at the third meeting of the Sixth Board of Directors	Shanghai Securities News (C28)	12 August 2008	Same as above
Announcement of resolutions passed at the second meeting of the Sixth Supervisory Committee	Shanghai Securities News (C28)	12 August 2008	Same as above
Announcement of unusual price movement	Shanghai Securities News (C16)	2 September 2008	Same as above
Announcement of resignation of director	Shanghai Securities News (C5)	15 October 2008	Same as above
Announcement of resolutions passed at the fourth meeting of the Sixth Board of Directors	Shanghai Securities News (C55)	22 October 2008	Same as above

## MAJOR EVENTS

### (XI) ACCESS TO DISCLOSEABLE INFORMATION *(Continued)*

<b>Events</b>	<b>Name and page of publication</b>	<b>Date of publishing</b>	<b>Websites and search path</b>
2008 Third Quarterly Report	Shanghai Securities News (C23)	31 October 2008	Same as above
Announcement of resolutions passed at the fifth meeting of the Sixth Board of Directors	Shanghai Securities News (C23)	31 October 2008	Same as above
Announcement of resolutions passed at the third meeting of the Sixth Supervisory Committee	Shanghai Securities News (C23)	31 October 2008	Same as above
Announcement in respect of estimated loss for 2008	Shanghai Securities News (C23)	31 October 2008	Same as above
Announcement of resolutions passed at the first extraordinary meeting of the Sixth Board of Directors	Shanghai Securities News (C10)	21 November 2008	Same as above
Notice of extraordinary general meeting of 2009	Shanghai Securities News (C10)	21 November 2008	Same as above

# INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited  
16/F., United Centre  
95 Queensway, Hong Kong

## TO THE SHAREHOLDERS OF BEIREN PRINTING MACHINERY HOLDINGS LIMITED

*(A joint stock company with limited liability established in the People's Republic of China)*

We have audited the consolidated financial statements of Beiren Printing Machinery Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 95 to 146, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## INDEPENDENT AUDITOR'S REPORT

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

#### **Chan Wing Kit**

Practising Certificate Number: P03224

Hong Kong

30 March 2009

# CONSOLIDATED INCOME STATEMENT

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

	NOTES	2008 RMB'000	2007 RMB'000
Turnover	7	739,161	1,052,869
Cost of sales		(754,576)	(851,560)
Gross (loss) profit		(15,415)	201,309
Other operating income	9	18,057	51,059
Selling and distribution expenses		(79,915)	(72,345)
Administrative expenses		(178,710)	(148,225)
Finance costs	10	(24,110)	(19,151)
Share of results of associates	22	(8,977)	(6,490)
(Loss) profit before taxation		(289,070)	6,157
Taxation	11	3,957	(870)
(Loss) profit for the year	12	(285,113)	5,287
Attributable to:			
Equity holders of the Company		(265,426)	5,192
Minority interests		(19,687)	95
		(285,113)	5,287
(Loss) earnings per share	16		
Basic		RMB(62.9) cents	RMB1.2 cents



# CONSOLIDATED BALANCE SHEET

(Prepared under Hong Kong Financial Reporting Standards)  
As at 31 December 2008

	NOTES	2008 RMB'000	2007 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	17	597,896	636,272
Investment properties	18	75,506	76,701
Prepaid lease payments	19	143,732	146,187
Goodwill	20	–	3,135
Other intangible assets	21	–	283
Interests in associates	22	14,766	24,478
Deferred tax assets	23	8,652	4,590
		<b>840,552</b>	891,646
<b>Current assets</b>			
Inventories	24	659,505	683,335
Trade and other receivables	25	350,432	502,695
Prepaid lease payments	19	2,894	3,252
Amounts due from minority shareholders of subsidiaries	26	20,976	18,883
Tax recoverable		–	2,006
Pledged bank deposits	27	–	8,083
Deposits placed in financial institutions	27	459	1,526
Bank balances and cash	27	74,325	98,855
		<b>1,108,591</b>	1,318,635
<b>Current liabilities</b>			
Trade and bills payables	28	411,498	388,268
Other payables	29	76,110	67,713
Sales deposits received		60,112	79,571
Amount due to immediate holding company	30	14,094	12,366
Tax liabilities		3,204	–
Bank and other borrowings – due within one year	31	258,243	246,630
Loans from ultimate holding company	32	135,000	150,000
Provision for retirement obligations	33	14,256	9,581
		<b>972,517</b>	954,129
Net current assets		<b>136,074</b>	364,506
Total assets less current liabilities		<b>976,626</b>	1,256,152

## CONSOLIDATED BALANCE SHEET

(Prepared under Hong Kong Financial Reporting Standards)  
As at 31 December 2008

	NOTES	2008 RMB'000	2007 RMB'000
Capital and reserves			
Share capital	34	422,000	422,000
Reserves	35	460,351	726,748
Equity attributable to equity holders of the Company		882,351	1,148,748
Minority interests		30,688	50,375
Total equity		913,039	1,199,123
Non-current liabilities			
Bank and other borrowings – due after one year	31	24,000	27,000
Loans from ultimate holding company	32	5,000	–
Provision for retirement obligations	33	31,021	25,702
Deferred income	36	3,566	4,327
		63,587	57,029
		976,626	1,256,152

The consolidated financial statements on pages 95 to 146 were approved and authorised for issue by the Board of Directors on 30 March 2009 and are signed on its behalf by:

Director

Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

	Attributable to equity holders of the Company											
	Share capital	Share premium	Exchange translation reserve	Capital reserve	Statutory surplus reserve	General reserve fund	Enterprise expansion fund	Discretionary surplus reserve	Retained	Minority interests	Total	
									profits			
									(accumulated losses)			
Sub-total	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2007	422,000	435,834	89	51,306	150,432	1,717	3,845	42,979	34,472	1,142,674	50,280	1,192,954
Exchange difference arising on translation of foreign operations	-	-	882	-	-	-	-	-	-	882	-	882
Profit for the year	-	-	-	-	-	-	-	-	5,192	5,192	95	5,287
Total recognised income for the year	-	-	882	-	-	-	-	-	5,192	6,074	95	6,169
Appropriations	-	-	-	-	848	-	-	-	(848)	-	-	-
At 31 December 2007	422,000	435,834	971	51,306	151,280	1,717	3,845	42,979	38,816	1,148,748	50,375	1,199,123
Exchange difference arising on translation of foreign operations	-	-	(971)	-	-	-	-	-	-	(971)	-	(971)
Loss for the year	-	-	-	-	-	-	-	-	(265,426)	(265,426)	(19,687)	(285,113)
Total recognised income for the year	-	-	(971)	-	-	-	-	-	(265,426)	(266,397)	(19,687)	(286,084)
At 31 December 2008	422,000	435,834	-	51,306	151,280	1,717	3,845	42,979	(226,610)	882,351	30,688	913,039

# CONSOLIDATED CASH FLOW STATEMENT

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

	2008 RMB'000	2007 RMB'000
<b>OPERATING ACTIVITIES</b>		
(Loss) profit before taxation	<b>(289,070)</b>	6,157
Adjustments for:		
Depreciation of property, plant and equipment and investment properties	<b>48,956</b>	37,110
Amortisation of prepaid lease payments	<b>2,893</b>	3,252
Amortisation of other intangible assets	<b>283</b>	1,130
Gain on disposal of property, plant and equipment	<b>(5,063)</b>	(947)
Reversal of impairment of property, plant and equipment	–	(1,180)
Allowance for trade and other receivables	<b>23,997</b>	15,607
Allowance (reversal of allowance) for obsolete inventories	<b>56,263</b>	(28,606)
Impairment loss on goodwill	<b>3,135</b>	–
Provision for retirement obligations	<b>24,057</b>	27,332
Loss from disposal of associates	–	175
Share of results of associates	<b>8,977</b>	6,490
Interest income	<b>(726)</b>	(1,184)
Government grants released from deferred income	<b>(761)</b>	(2,928)
Finance costs	<b>24,110</b>	19,151
Operating cash flows before movements in working capital	<b>(102,949)</b>	81,559
(Increase) decrease in inventories	<b>(32,433)</b>	55,467
Decrease (increase) in trade and other receivables	<b>79,921</b>	(119,063)
Increase in trade and bills payables	<b>23,230</b>	29,914
Increase (decrease) in other payables	<b>8,397</b>	(25,133)
(Decrease) increase in sales deposits received	<b>(19,459)</b>	21,677
Increase (decrease) in amount due to immediate holding company	<b>1,728</b>	(2,630)
Decrease in provision for retirement obligations	<b>(14,063)</b>	(9,061)
Cash (used in) generated from operations	<b>(55,628)</b>	32,730
Income tax refunded (paid)	<b>5,105</b>	(5,875)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(50,523)</b>	26,855
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	<b>11,665</b>	38,381
Decrease (increase) in pledged bank deposits	<b>8,083</b>	(1,381)
Dividend received from an associate	<b>113</b>	340
Interest received	<b>726</b>	1,184
Purchase of property, plant and equipment	<b>(15,987)</b>	(59,483)
Prepaid lease payment in relation to land use rights	<b>(80)</b>	(18,416)
Disposal of investment in an associate	–	607
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>4,520</b>	(38,768)

## CONSOLIDATED CASH FLOW STATEMENT

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

	2008 RMB'000	2007 RMB'000
<b>FINANCING ACTIVITIES</b>		
New borrowings raised	<b>258,658</b>	178,121
Government grants received	–	5,255
Repayments of bank and other borrowings	<b>(201,078)</b>	(170,492)
Interest paid	<b>(24,110)</b>	(19,151)
(Repayment to) advances from ultimate holding company	<b>(10,000)</b>	50,000
Advances to minority shareholders of subsidiaries	<b>(2,093)</b>	(8,391)
	<b>21,377</b>	35,342
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>21,377</b>	35,342
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(24,626)</b>	23,429
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>100,381</b>	76,160
Effect of foreign exchange rate changes	<b>(971)</b>	792
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER,</b> represented by:		
Deposits placed in financial institutions	<b>459</b>	1,526
Bank balances and cash	<b>74,325</b>	98,855
	<b>74,784</b>	100,381

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

## 1. GENERAL

Beiren Printing Machinery Holdings Limited (the “Company”) was established in Beijing, the People’s Republic of China (the “PRC”) on 13 July 1993 as a joint stock limited company in accordance with the provisions set out in the Standard Opinion on Joint Stock Limited Companies issued as of 15 May 1992 by the State Commission for Restructuring the Economic System of the PRC. The Company is registered as an overseas company in Hong Kong under Part XI of the Hong Kong Companies Ordinance. The H Shares and A Shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Shanghai Stock Exchange of the PRC respectively.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the manufacture and sale of a variety of printing press and related spare parts and provision of printing services. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The immediate holding company of the Company is Beiren Group Corporation (“BGC”), an enterprise owned by the whole people established in the PRC. The directors of the Company consider that the ultimate holding company of the Company is Beijing Jingcheng Machinery Electric Holding Co., Ltd. (“Beijing Jingcheng”), a State-owned enterprise established in the PRC. The addresses of the registered office and principal place of business of the immediate holding company and the ultimate holding company are disclosed in the Shareholders Information section to the annual report.

The consolidated financial statements are presented in Renminbi (RMB), which is the same as the functional currency of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are or have become effective.

Hong Kong Accounting Standard (“HKAS”) 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Interpretation (“Int”) 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>3</sup>
HKFRS 1 (Revised)	First-time Adoption of HKFRSs <sup>3</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellation <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments <sup>2</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded Derivatives <sup>7</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC)-Int 15	Agreement for the Construction of Real Estate <sup>2</sup>
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners <sup>3</sup>
HK(IFRIC)-Int 18	Transfers of Assets from Customers <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>5</sup> Effective for annual periods beginning on or after 1 October 2008

<sup>6</sup> Effective for transfers of assets from customers received on or after 1 July 2009

<sup>7</sup> Effective for annual periods ending on or after 30 June 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company have commenced considering the potential impact of the other new or revised standards, amendments or interpretations but not yet in a position to determine whether they would have a significant impact on how its results and financial position are prepared and presented.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

#### **Goodwill**

##### *Goodwill arising on acquisitions prior to 1 January 2005*

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity after 1 January 2001, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Goodwill** (Continued)

*Goodwill arising on acquisitions on or after 1 January 2005*

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. Impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

#### **Investments in associates**

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Service income is recognised when services are provided.

Compensation income for relocation is recognised as other operating income upon the relocation is completed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Operating lease rental income is recognised on a straight-line basis over the period of the relevant lease terms.

#### Property, plant and equipment

Property, plant and equipment, other than construction in progress, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment loss. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

#### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *The Group as lessor*

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

##### *The Group as lessee*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

##### *Leasehold land and buildings*

The land and building elements of a lease of land and buildings are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Foreign currencies** *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

#### **Borrowing costs**

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

#### **Government grants**

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are deducted in reporting the related expenses.

#### **Retirement benefit costs**

Payments to State-managed retirement benefit scheme are charged as an expense when employees have rendered service entitling them to the contributions.

#### **Research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### Intangible assets

##### *Intangible assets acquired separately*

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

#### **Financial instruments**

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### Financial assets

The Group's financial assets comprise loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from minority shareholders of subsidiaries, pledged bank deposits, deposits placed in financial institutions and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

##### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For the Group's financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 360 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### Financial liabilities and equity (Continued)

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

##### *Other financial liabilities*

Other financial liabilities including trade and bills payables, other payables, amount due to immediate holding company, bank and other borrowings and loans from ultimate holding company are subsequently measured at amortised cost, using the effective interest method.

##### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditures required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

#### Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as income immediately.

### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
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### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

#### **Critical judgments in applying accounting policies** *(Continued)*

##### *Recognition of deferred tax assets*

As at 31 December 2008, a deferred tax asset of approximately RMB8,652,000 (2007: RMB 4,590,000) has been recognised in the Group's consolidated balance sheet. The realisation of the deferred tax asset mainly depends on whether the actual future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place. Also, as at 31 December 2008, the Group has unrecognised deferred tax assets in respect of unused tax losses of approximately RMB230,514,000 (2007: RMB27,200,000). In cases where the actual future profits generated are more than expected, deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such condition exists.

#### **Key sources of estimation uncertainty**

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### *Estimated impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. An impairment loss of RMB3,135,000 (2007: Nil) was recognised for the year.

##### *Estimated useful lives of property, plant and equipment*

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

##### *Allowance for trade and other receivables*

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by a review of their current credit information. The Group continuously monitors collections and payments from its customers and maintain a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
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### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

#### **Key sources of estimation uncertainty** *(Continued)*

##### *Allowance for obsolete inventories*

The management of the Group reviews an ageing analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such raw materials, work-in-progress and finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

### 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank and other borrowings and loans from ultimate holding company as disclosed in Notes 31 and 32 respectively, and cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital as disclosed in Note 34, reserves and accumulated losses/retained profits as disclosed in consolidated statement of changes in equity.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as raising of new borrowings or repayment of existing borrowings.

### 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments to raise finance for the Group's operations comprise bank and other borrowings and loans from ultimate holding company. The Group has various other financial instruments such as trade and other receivables, amounts due from minority shareholders of subsidiaries, pledged bank deposits, deposits placed in financial institutions, bank balances and cash, trade and bills payables, other payables and amount due to immediate holding company, which arise directly from its operations. As at the balance sheet date, all of the Group's financial assets are classified as loans and receivables and all of the Group's financial liabilities are classified as other financial liabilities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

#### **Credit risk**

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from minority shareholders of subsidiaries, pledged bank deposits, deposits placed in financial institutions and bank balances. At the respective balance sheet dates, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are either authorised banks or financial institutions supervised by China Banking Regulatory Commission in the PRC.

#### **Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surplus and the raising of loans to cover expected cash demands, subject to approval by the Company's directors when the borrowings exceed certain predetermined levels of authority.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2008, the Group's available unutilised short-term bank loan facilities was approximately RMB83,000,000 (2007: RMB33,500,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
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### 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

#### As at 31 December 2008

	Weighted average interest rate %	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	Within one year or on demand RMB'000	One year to two years RMB'000	Two years to five years RMB'000
<b>Non-derivative financial liabilities</b>						
Trade and bills payables	-	411,498	411,498	411,498	-	-
Other payables	-	74,435	74,435	74,435	-	-
Amount due to immediate holding company	-	14,094	14,094	14,094	-	-
Bank and other borrowings						
– short-term non-interest bearing	-	72,293	72,293	72,293	-	-
– fixed rate	6.57%	174,500	181,802	181,802	-	-
– variable rate	7.05%	35,450	39,207	13,236	7,271	18,700
Loans from ultimate holding company	6.42%	140,000	141,490	136,490	-	5,000
		<u>922,270</u>	<u>934,819</u>	<u>903,848</u>	<u>7,271</u>	<u>23,700</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk (Continued)

As at 31 December 2007

	Weighted average interest rate %	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	Within one year or on demand RMB'000	One year to two years RMB'000	Two years to five years RMB'000
<b>Non-derivative financial liabilities</b>						
Trade and bills payables	-	388,268	388,268	388,268	-	-
Other payables	-	60,280	60,280	60,280	-	-
Amount due to immediate holding company	-	12,366	12,366	12,366	-	-
Bank and other borrowings						
– short-term non-interest bearing	-	91,230	91,230	91,230	-	-
– fixed rate	6.67%	139,250	143,658	143,658	-	-
– variable rate	7.72%	43,150	50,082	18,529	5,336	26,217
Loans from ultimate holding company	5.72%	150,000	152,856	152,856	-	-
		<u>884,544</u>	<u>898,740</u>	<u>867,187</u>	<u>5,336</u>	<u>26,217</u>

#### Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings and loans as detailed in Notes 31 and 32 respectively. The Group historically has not used any financial instrument to hedge potential fluctuations in interest rates as the term of borrowings is mainly within one year, the exposure of interest risk for fair value is limited.

The Group's cash flow interest rate risk relates primarily to variable-rate borrowings and bank deposits and balances as detailed in Notes 31 and 27 respectively. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the RMB Base Lending Rate stipulated by the People's Bank of China arising from the Group's RMB denominated borrowings and bank deposits and balances.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Interest rate risk (Continued)

##### Sensitivity analysis

At 31 December 2008, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's loss would decrease/increase and the Group's accumulated losses would decrease/increase by approximately RMB392,000 (2007: RMB652,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for the year ended 31 December 2007.

#### Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 9.1% (2007: 5.2%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 99.6% (2007: 100%) of costs are denominated in the group entity's functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
United States dollars ("USD")	1,974	4,891	5,459	4,190
Hong Kong dollars ("HK\$")	–	–	67	16,816
European dollars ("Euro")	–	–	226	3,157
Japanese Yen ("JPY")	29	–	49	–
	<b>2,003</b>	4,891	<b>5,801</b>	24,163

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
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### 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Foreign currency risk (Continued)

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

#### Sensitivity analysis

The Group is mainly exposed to USD, HK\$ and Euro and the directors of the Company consider that the risk exposed to JPY is not material.

The following table details the Group's sensitivity to a 10% (2007: 10%) increase and decrease in Renminbi against the relevant foreign currencies. 10% (2007: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2007: 10%) change in foreign currency rates. A positive number below indicates a decrease in loss and increase in other equity where Renminbi strengthen 10% (2007: 10%) against the relevant currencies. For a 10% (2007: 10%) weakening of Renminbi against the relevant currencies, there would be an equal and opposite impact on the loss and other equity.

	USD impact		HK\$ impact		Euro impact	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Profit or loss	(348)	70	(7)	(1,682)	(23)	(316)

The Group's sensitivity to foreign currencies has decreased during the current year mainly due to the decrease in foreign currencies denominated in trade and other receivables and bank balances as at 31 December 2008.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

#### Fair value of financial instruments

The fair value of the Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short-term maturities.

The directors of the Company consider the fair value of loans from ultimate holding company equal to its carrying amount as the impact of discounting is not significant.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 7. TURNOVER

Turnover represents the net amount received and receivable for printing presses and spare parts sold by the Group to outside customers and provision of printing services and is analysed as follows:

	2008 RMB'000	2007 RMB'000
Sales of printing presses	688,325	1,007,554
Sales of spare parts	16,792	24,678
Others	36,549	26,671
Total sales	741,666	1,058,903
Less: sales tax and other surcharges	(2,505)	(6,034)
	<b>739,161</b>	1,052,869

### 8. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's revenue and results are substantially derived from the manufacture and sale of printing presses in the PRC. Moreover, as substantially all of the Group's assets and liabilities are located in the PRC, no segment analysis of financial information is presented.

### 9. OTHER OPERATING INCOME

	2008 RMB'000	2007 RMB'000
Gross rental income from investment properties	2,006	2,006
Gross rental income from property, plant and equipment	6,201	7,573
Gain on disposal of property, plant and equipment	5,063	947
Reversal of impairment of property, plant and equipment	-	1,180
Reversal of allowance for obsolete inventories	-	28,606
Government grants	627	-
Government grants released from deferred income (Note 36)	761	2,928
Interest income on bank deposits	726	1,184
Technical service income	-	60
Compensation for relocation received	-	1,970
Others	2,673	4,605
	<b>18,057</b>	51,059

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 10. FINANCE COSTS

	2008 RMB'000	2007 RMB'000
Interest on bank and other borrowings wholly repayable within five years	23,724	19,039
Interest on discounted bills	386	112
	<b>24,110</b>	19,151

### 11. TAXATION

	2008 RMB'000	2007 RMB'000
The taxation comprises:		
PRC Enterprise Income Tax ("EIT")		
Current year	–	898
Under-provision in prior years	105	–
	<b>105</b>	898
Deferred tax ( <i>Note 23</i> )		
Current year	(2,749)	(28)
Attributable to a change in tax rate	(1,313)	–
	<b>(4,062)</b>	(28)
	<b>(3,957)</b>	870

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council issued Implementation Regulation of the New Law. The New Law and Implementation Regulation changed the tax rate of the Company and certain of its PRC subsidiaries to 25% from 1 January 2008 onwards.

Starting from 1 January 2008, EIT of the Company is calculated at the rate of 25% (2007: 15%) of the estimated assessable profits for the year. In accordance with the relevant rules and regulations in the PRC, except for Shaanxi Beiren Printing Machinery Company Limited ("Shaanxi Beiren") and Beijing Beiren Fuji Printing Machinery Company Limited ("Beiren Fuji"), all other PRC subsidiaries are subject to EIT at a rate of 25% (2007: 33%).

According to document (Guoshuifa [2002] 47) and document (Caishuizi [2008] 21) "Notice of Application of Transitional Preferential Policy on Enterprises Income Tax" issued by the State Administration of Taxation on 10 May 2002 and 4 February 2008 respectively, the applicable income tax rate of Shaanxi Beiren is 15% (2007: 15%).

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### 11. TAXATION (Continued)

According to document (Jingguoshuiwaipifu [2002] 1-11) issued by the foreign tax bureau of Beijing State Administration of Taxation, the applicable income tax rate of Beiren Fuji is 24% from 2001. In addition, according to document (Guoshuizhishuijianmianzi [2006] 2) issued by the tax bureau directly under Beijing State Administration of Taxation, Beiren Fuji is levied at half of the income tax from 2006 to 2008. Consequently the income tax of Beiren Fuji is charged at the rate of 12% on the estimated assessable profits for the year (2007: 12%).

No provision for Hong Kong profits tax has been made as there is no assessable profit for the subsidiaries operating in Hong Kong during the years ended 31 December 2008 and 2007.

The taxation for the years can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2008 RMB'000	2007 RMB'000
(Loss) profit before taxation	<b>(289,070)</b>	6,157
Tax at the domestic income tax rate of 25% (2007: 33%)	<b>(72,267)</b>	2,031
Tax effect of items not deductible for tax purposes	<b>19,403</b>	6,732
Tax effect of items not taxable for tax purpose	<b>(4,790)</b>	(9,992)
Under-provision in prior years	<b>105</b>	–
Tax effect of tax losses/deductible temporary differences not recognised	<b>50,828</b>	1,568
Tax effect of share of results of associates	<b>2,244</b>	2,143
Effect of different tax rates of subsidiaries	<b>1,833</b>	(1,612)
Increase in opening deferred tax asset resulting from a change in applicable tax rate	<b>(1,313)</b>	–
Taxation for the year	<b>(3,957)</b>	870

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### 12. (LOSS) PROFIT FOR THE YEAR

	2008 RMB'000	2007 RMB'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Depreciation and amortisation		
– Property, plant and equipment and investment properties	48,956	37,110
– Prepaid lease payments	2,893	3,252
– Other intangible assets	283	1,130
Total depreciation and amortisation	<b>52,132</b>	41,492
Staff costs including directors' emoluments	258,052	221,659
Allowance for trade and other receivables	23,997	15,607
Allowance for obsolete inventories	56,263	–
Research and development expenses	21,196	18,040
Auditors' remuneration	1,150	1,646
Net foreign exchange losses	227	1,674
Impairment loss on goodwill	3,135	–
Loss from disposal of associates	–	175
Share of taxation of associates (included in share of results of associates)	192	399
Cost of inventories recognised as an expense	<b>698,313</b>	851,560

### 13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

	2008 RMB'000	2007 RMB'000
Fees	436	475
Other emoluments		
– Salaries and other benefits	642	1,208
– Retirement benefits scheme contributions	52	37
Total emoluments	<b>1,130</b>	1,720

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### 13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments of directors and supervisors during the year are analysed as follows:

	2008			Total RMB'000
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	
<b>Executive directors:</b>				
Zhang Pei-Wu	120	194	9	323
Yang Zhen-Dong	90	137	9	236
Jiang Jian-Ming (resigned on 14 October 2008)	86	114	8	208
<b>Non-executive directors:</b>				
Bai Fan (appointed on 14 July 2008)	-	-	-	-
Wang Guo-Hua (resigned on 20 November 2008)	-	-	-	-
Lu Chang-An (resigned on 13 July 2008)	-	-	-	-
Yu Bao-Gui	-	-	-	-
Deng Gang	-	-	-	-
<b>Independent non-executive directors:</b>				
Xu Wen-Cai (appointed on 14 July 2008)	-	-	-	-
Wang Hui (appointed on 14 July 2008)	-	-	-	-
Xie Bing-Guang (appointed on 14 July 2008)	-	-	-	-
Wang De-Yu (appointed on 14 July 2008)	-	-	-	-
Wu Wen-Xiang (resigned on 13 July 2008)	30	-	-	30
Wu Hong-Cho (resigned on 13 July 2008)	50	-	-	50
Shi Tian-Tao (resigned on 13 July 2008)	30	-	-	30
Li Yi-Jing (resigned on 13 July 2008)	30	-	-	30
<b>Supervisors:</b>				
Xiao Mao-Lin	-	-	-	-
Guo Xuan (appointed on 14 July 2008)	-	66	9	75
Shao Zhen-Jiang (appointed on 14 July 2008)	-	80	9	89
Xue Ke-Xin (resigned on 13 July 2008)	-	30	5	35
Tian Fu-Ren (resigned on 13 July 2008)	-	21	3	24
	<b>436</b>	<b>642</b>	<b>52</b>	<b>1,130</b>

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### 13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

	2007			
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors:</b>				
Zhang Pei-Wu (appointed on 18 June 2007)	125	386	8	519
Yang Zhen-Dong	90	293	8	391
Jiang Jian-Ming	90	293	8	391
Zhu Wu-An (resigned on 18 June 2007)	-	-	-	-
<b>Non-executive directors:</b>				
Wang Guo-Hua	-	-	-	-
Lu Chang-An	-	-	-	-
Yu Bao-Gui	30	-	-	30
Deng Gang	-	-	-	-
<b>Independent non-executive directors:</b>				
Wu Wen-Xiang	30	-	-	30
Wu Hong-Cho	50	-	-	50
Shi Tian-Tao	30	-	-	30
Li Yi-Jing	30	-	-	30
<b>Supervisors:</b>				
Xiao Mao-Lin	-	30	-	30
Xue Ke-Xin	-	122	8	130
Tian Fu-Ren	-	84	5	89
	475	1,208	37	1,720

No emoluments were paid by the Group to the directors and supervisors as a discretionary bonus or as inducements to join or upon joining the Group or as a compensation for loss of office for the two years ended 31 December 2008. No director or supervisor waived any emolument for the two years ended 31 December 2008.

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### 14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2007: five) were directors of the Company whose emoluments are included in Note 13 above. The emoluments of the remaining three (2007: Nil) individuals were as follows:

	2008 RMB'000	2007 RMB'000
Salaries and other benefits	657	–
Retirement benefits scheme contributions	28	–
	<b>685</b>	<b>–</b>

Their emoluments were within the following bands:

	2008 No. of employees	2007 No. of employees
Nil to RMB1,000,000	3	–

### 15. DIVIDEND

No dividend was paid or proposed during 2008, nor has any dividend been proposed since the balance sheet date (2007: Nil).

### 16. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share attributable to the equity holders of the Company is based on the loss for the year attributable to the equity holders of the Company of approximately RMB265,426,000 (2007: profit of RMB5,192,000) and the weighted average number of 422,000,000 (2007: 422,000,000) ordinary shares in issue during the year.

No diluted (loss) earnings per share is presented as the Company did not have any potential shares outstanding for the two years ended 31 December 2008.

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### 17. PROPERTY, PLANT AND EQUIPMENT

	Buildings in the PRC RMB'000	Leasehold property in Hong Kong RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>							
At 1 January 2007	442,255	15,943	412,769	79,719	16,262	42,156	1,009,104
Exchange realignments	–	(248)	–	–	–	–	(248)
Additions	5,053	–	25,040	4,070	851	24,469	59,483
Transfer (Note 18)	27,681	–	19,228	–	–	(55,260)	(8,351)
Disposals	(3,704)	(10,178)	(14,291)	(14,535)	(1,265)	(1,166)	(45,139)
At 31 December 2007	471,285	5,517	442,746	69,254	15,848	10,199	1,014,849
Additions	327	–	3,435	1,349	2,543	8,333	15,987
Transfer	5,440	–	10,534	–	–	(15,974)	–
Disposals	(356)	(5,517)	(9,226)	(6,051)	(2,850)	–	(24,000)
At 31 December 2008	476,696	–	447,489	64,552	15,541	2,558	1,006,836
<b>DEPRECIATION AND IMPAIRMENT</b>							
At 1 January 2007	55,141	6,688	223,315	57,092	9,435	1,166	352,837
Exchange realignments	–	(90)	–	–	–	–	(90)
Charge for the year	11,317	120	19,218	3,429	1,320	–	35,404
Transfer (Note 18)	(441)	–	–	–	–	–	(441)
Impairment loss reversed	–	(1,180)	–	–	–	–	(1,180)
Eliminated on disposals	–	(3,808)	(1,272)	(662)	(1,045)	(1,166)	(7,953)
At 31 December 2007	66,017	1,730	241,261	59,859	9,710	–	378,577
Charge for the year	17,989	–	24,111	3,965	1,696	–	47,761
Eliminated on disposals	(260)	(1,730)	(7,709)	(5,192)	(2,507)	–	(17,398)
At 31 December 2008	83,746	–	257,663	58,632	8,899	–	408,940
<b>NET CARRYING VALUES</b>							
At 31 December 2008	392,950	–	189,826	5,920	6,642	2,558	597,896
At 31 December 2007	405,268	3,787	201,485	9,395	6,138	10,199	636,272



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### 17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of their estimated residual values, at the following rates per annum:

Buildings in the PRC	2.425%
Leasehold property in Hong Kong	Over the shorter of the term of the leases or 50 years
Plant and machinery	6.929% to 12.125%
Furniture, fixtures and office equipment	12.125%
Motor vehicles	12.125%

The leasehold property in Hong Kong comprised of leasehold land and building elements, which cannot be allocated between leasehold land and building elements reliably. The lease of leasehold land in Hong Kong is medium term lease. With reference to prevailing market price of similar properties, the directors considered that the carrying amount of the leasehold property in Hong Kong was not less than its respective recoverable amount as at 31 December 2007, accordingly, a reversal of impairment loss of approximately RMB1,180,000 was taken to the consolidated income statement for the year ended 31 December 2007. The relevant property was disposed of during the year ended 31 December 2008 with gain on disposal of approximately RMB4,971,000.

All buildings are situated in the PRC and held under medium-term leases.

During the year ended 31 December 2008, the Group leased certain of its buildings in the PRC, plant and machinery and motor vehicles with net carrying values of approximately RMB81,348,000 (2007: RMB79,954,000), RMB2,657,000 (2007: RMB2,935,000) and RMB8,000 (2007: RMB50,000) respectively for rental income under operating leases.

Details of the property, plant and equipment pledged are set out in Note 31.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 18. INVESTMENT PROPERTIES

	2008 RMB'000	2007 RMB'000
<b>COST</b>		
At 1 January	81,836	73,485
Transfer from property, plant and equipment ( <i>Note 17</i> )	-	8,351
At 31 December	81,836	81,836
<b>DEPRECIATION</b>		
At 1 January	5,135	2,988
Provided for the year	1,195	1,706
Transfer from property, plant and equipment ( <i>Note 17</i> )	-	441
At 31 December	6,330	5,135
<b>NET CARRYING VALUES</b>		
At 31 December	75,506	76,701

The investment properties are depreciated on a straight-line basis over the period of the shorter of the term of the leases or 40 years per annum.

All the Group's property interests held under operating leases for rentals purposes are measured using the cost model and are classified and accounted for as investment properties. Gross rental income generated from the investment properties during the year amounted to approximately RMB2,006,000 (2007: RMB2,006,000).

All the above investment properties are situated in the PRC and held under medium-term leases.

The investment properties represent the factory situated in the PRC. Since the comparable market transactions are infrequent and the alternative reliable estimates of fair value are not available, the directors of the Group consider that the fair value of the investment properties is not reliably determinable on a continuing basis.

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### 19. PREPAID LEASE PAYMENTS

	2008 RMB'000	2007 RMB'000
<b>COST</b>		
At 1 January	159,587	141,171
Additions	80	18,416
At 31 December	159,667	159,587
<b>ACCUMULATED AMORTISATION</b>		
At 1 January	10,148	6,896
Provided for the year	2,893	3,252
At 31 December	13,041	10,148
<b>NET CARRYING VALUES</b>		
At 31 December	146,626	149,439

The Group's prepaid lease payments comprise land in the PRC under medium-term leases.

Analysed for reporting purposes as:

	2008 RMB'000	2007 RMB'000
Current assets	2,894	3,252
Non-current assets	143,732	146,187
	146,626	149,439

During the year ended 31 December 2008, the Group leased certain of its land in the PRC with net carrying value of approximately RMB17,412,000 (2007: RMB17,786,000) for rental income under operating leases.

Details of the prepaid lease payments pledged are set out in Note 31.

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### 20. GOODWILL

	2008 RMB'000	2007 RMB'000
<b>COST</b>		
At 1 January and 31 December	4,434	4,434
<b>IMPAIRMENT</b>		
At 1 January	1,299	1,299
Impairment loss recognised in the year	3,135	–
At 31 December	4,434	1,299
<b>NET CARRYING VALUES</b>		
At 31 December	–	3,135

Goodwill has been allocated to two subsidiaries of the manufacture and sales of printing presses segment, Shaanxi Beiren and Haimen Beiren Fuji Printing Machinery Company Limited (“Haimen Beiren”), being the cash-generating units for impairment testing of goodwill. Goodwill associated with Haimen Beiren was fully impaired during the year ended 31 December 2006. During the year ended 31 December 2008, the Group assessed the recoverable amount of goodwill associated with Shaanxi Beiren and determined that the remaining balance of goodwill should be impaired. Impairment loss of approximately RMB3,135,000 (2007: Nil) was recognised in the consolidated income statement for the year.

The recoverable amount is determined based on a value-in-use calculations which uses cash flow projections based on financial budgets approved by management covering a five-year period, an expected growth rate of 14% (2007: 14%) and a discount rate of 6% (2007: 6%) per annum. The growth rate used does not exceed the average long-term growth rate for the relevant markets. The management believes that the assumptions used in forming the cash flow projections are reasonable and any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of goodwill to exceed its recoverable amount.

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### 21. OTHER INTANGIBLE ASSETS

	2008 RMB'000	2007 RMB'000
<b>COST</b>		
At 1 January	8,499	8,499
Written off	(2,073)	–
At 31 December	6,426	8,499
<b>ACCUMULATED AMORTISATION</b>		
At 1 January	8,216	7,086
Provided for the year	283	1,130
Eliminated on written off	(2,073)	–
At 31 December	6,426	8,216
<b>NET CARRYING VALUES</b>		
At 31 December	–	283

The intangible assets represented technical know-how and were amortised over their respective useful lives, ranged from 5 to 8 years, on a straight-line basis.

An intangible asset with original cost of RMB2,073,000 was written off during the year. The relevant intangible asset at the time of its written off was fully amortised.

### 22. INTERESTS IN ASSOCIATES

	2008 RMB'000	2007 RMB'000
Cost of unlisted investments	31,026	27,351
Share of post-acquisition profits less losses, net of dividends received	(16,411)	(3,024)
Share of capital reserve	151	151
	14,766	24,478

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### 22. INTERESTS IN ASSOCIATES (Continued)

At 31 December 2008 and 2007, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of establishment and operation	Percentage of registered capital held by the Group	Principal activities
Beijing Monigraf Automations Co., Ltd. ("Beijing Monigraf")	Sino-foreign equity joint venture	PRC	49%	Sale of automations of printing presses venture enterprise
Beijing Beiyong Casting Company Limited ("Beijing Beiyong")	Limited liability company	PRC	20%	Manufacture and sale of spare parts and casting parts
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd. ("Mitsubishi Beiren")	Sino-foreign equity joint venture	PRC	49%	Manufacture and sale of printing presses venture enterprise

During the year ended 31 December 2008, additional investment of RMB3,675,000 in Beijing Monigraf was made by the Group. The amount was made through the reinvestment of dividend declared by Beijing Monigraf and entitled by the Group during the year. The equity interest in Beijing Monigraf has not increased following this additional investment as all the remaining shareholders of Beijing Monigraf had also reinvested their entitled dividend in the same proportion as the Group.

The summarised financial information in respect of the Group's associates is set out below:

	2008 RMB'000	2007 RMB'000
Total assets	297,317	190,091
Total liabilities	(273,724)	(129,781)
Net assets	23,593	60,310
Group's share of net assets of associates	14,766	24,478
Revenue	204,024	256,618
Loss for the year	(34,879)	(12,126)
Group's share of results of associates for the year	(8,977)	(6,490)

During the year ended 31 December 2008, the Group has discontinued recognising its share of further losses of one of its associates, Mitsubishi Beiren. The amount of unrecognised share of losses of this associate for the year and as at the balance sheet date is RMB9,481,000 (2007: Nil).

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### 23. DEFERRED TAX ASSETS

The followings are the major deferred tax assets (liabilities) recognised and the movements thereon during the current and prior years:

	Allowance for trade and other receivables RMB'000	Allowance for obsolete inventories RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2007	2,503	2,179	(120)	4,562
Credit (charge) to income for the year (Note 11)	154	(36)	(90)	28
At 31 December 2007	2,657	2,143	(210)	4,590
Credit (charge) to income for the year (Note 11)	(481)	2,700	530	2,749
Effect of change in tax rate	178	1,015	120	1,313
At 31 December 2008	2,354	5,858	440	8,652

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset and a deferred tax asset of approximately RMB8,652,000 (2007: RMB4,590,000) is presented in the consolidated balance sheet for financial reporting purposes.

At the balance sheet date, the Group has unused tax losses of approximately RMB230,514,000 (2007: RMB27,200,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. All unrecognised tax losses will expire before 2013 and an analysis of their expiry dates is as follows:

	2008 RMB'000	2007 RMB'000
Unrecognised tax losses expiring in:		
2008	–	2,591
2009	794	794
2010	2,022	2,022
2011	16,561	16,561
2012	5,232	5,232
2013	205,905	–
	<b>230,514</b>	<b>27,200</b>

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### 24. INVENTORIES

	2008 RMB'000	2007 RMB'000
Raw materials	108,117	128,141
Work-in-progress	340,325	370,796
Finished goods	211,063	184,398
	<b>659,505</b>	683,335

As at 31 December 2008, the carrying amount of inventories of RMB659,505,000 (2007: RMB683,335,000) was net of allowance for obsolete inventories of RMB121,940,000 (2007: RMB65,677,000). Allowance for obsolete inventories of RMB56,263,000 has been recognized in the consolidated income statement in the current year. In 2007, there was a significant amount of inventories on which allowance has been made in prior year has been sold. As a result, a reversal of allowance for obsolete inventories of RMB28,606,000 has been recognised in the consolidated income statement during the year ended 31 December 2007.

### 25. TRADE AND OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000
Trade receivables	388,135	484,628
Less: allowance for trade receivables	(89,916)	(68,111)
	<b>298,219</b>	416,517
Other receivables	31,551	36,362
Less: allowance for other receivables	(14,090)	(19,462)
	<b>17,461</b>	16,900
Bills receivables	7,830	36,936
Prepayments and deposits	26,922	32,342
	<b>350,432</b>	502,695

Details of the trade receivables pledged are set out in Note 31.



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### 25. TRADE AND OTHER RECEIVABLES (Continued)

The customers are normally required to pay certain amounts in advance as deposits. The Group allows average credit period of 360 days to its trade customers with retention payment to be paid one year after sale. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Within 1 year	<b>215,543</b>	354,247
1 – 2 years	<b>70,814</b>	44,629
2 – 3 years	<b>11,600</b>	16,331
Over 3 years	<b>262</b>	1,310
	<b>298,219</b>	416,517

Included in the Group's trade receivables are debtors with an aggregate carrying amount of approximately RMB82,676,000 (2007: RMB62,270,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The ageing analysis of trade receivables that are past due but not impaired is as follows:

	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Within 1 year past due	<b>70,814</b>	44,629
Over 1 year but within 2 years past due	<b>11,600</b>	16,331
Over 2 years past due	<b>262</b>	1,310
	<b>82,676</b>	62,270

The Group's neither past due nor impaired trade receivables mainly represent sales made to recognised and creditworthy customers. These customers who trade on credit terms are subject to credit verification procedures.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In view of the good settlement repayment history from those largest debtors of the Group, the directors consider that there is no further credit provision required in excess of the impairment loss recognised for the year.

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### 25. TRADE AND OTHER RECEIVABLES (Continued)

Allowance in respect of trade and other receivables is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the allowance is written off against trade/other receivables balance directly. The movement in the allowance of trade and other receivables is as follows:

	2008 RMB'000	2007 RMB'000
At 1 January	87,573	71,966
Impairment loss recognised in consolidated income statement	24,057	15,607
Amounts written off as uncollectible	(7,564)	–
Amounts recovered during the year	(60)	–
At 31 December	<b>104,006</b>	87,573

Included in the allowance for trade and other receivables are individually impaired trade and other receivables with an aggregate balance of approximately RMB104,006,000 (2007: RMB87,573,000) which have been placed in severe financial difficulties. The Group does not hold any collateral over these balances.

### 26. AMOUNTS DUE FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

### 27. PLEDGED BANK DEPOSITS/DEPOSITS PLACED IN FINANCIAL INSTITUTIONS/BANK BALANCES

At 31 December 2007, pledged bank deposits represented short-term deposits pledged for bills payables which carried interest at fixed rate ranged from 1.80% to 2.25% per annum. The deposits were all denominated in RMB. There was no pledged bank deposit as at 31 December 2008.

Deposits placed in financial institutions represent amounts placed with 渭南市城市信用社 and 海門市農村信用合作社 and carried interest at market rates which range from 0.36% to 0.72% per annum for the year ended 31 December 2008 (2007: 0.72% to 0.81%). The deposits are all denominated in RMB.

Bank balances carried interest at market rates which range from 0.36% to 0.72% per annum for the year ended 31 December 2008 (2007: 0.72% to 0.81%).

At 31 December 2008, bank balances of approximately RMB869,000 (2007: RMB3,004,000), RMB67,000 (2007: RMB7,554,000) and RMB49,000 (2007: Nil) were originally denominated in USD, HK\$ and JPY respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 28. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables at the balance sheet date:

	2008 RMB'000	2007 RMB'000
Within 1 year	345,089	340,850
1 – 2 years	55,315	719
2 – 3 years	468	1,353
Over 3 years	2,626	1,672
	<b>403,498</b>	344,594
Bills payables	8,000	43,674
	<b>411,498</b>	388,268

The average credit period of purchases is 90 days to 360 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

### 29. OTHER PAYABLES

	2008 RMB'000	2007 RMB'000
Staff welfare accruals	21,763	18,541
Other payables	52,672	41,739
Other tax and levies payable	1,675	7,433
	<b>76,110</b>	67,713

### 30. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is unsecured, trading in nature with a credit period of 360 days.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 31. BANK AND OTHER BORROWINGS

	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Bank loans	<b>250,743</b>	242,130
Other loans	<b>31,500</b>	31,500
	<b>282,243</b>	273,630
Secured	<b>159,693</b>	117,330
Unsecured	<b>80,050</b>	122,050
Guaranteed	<b>42,500</b>	34,250
	<b>282,243</b>	273,630
Carrying amount repayable:		
On demand or within one year	<b>258,243</b>	246,630
More than one year, but not exceeding two years	<b>6,000</b>	2,000
More than two year, but not exceeding five years	<b>18,000</b>	25,000
	<b>282,243</b>	273,630
Less: Amounts due within one year and shown under current liabilities	<b>(258,243)</b>	(246,630)
	<b>24,000</b>	27,000

Details of securities and guarantees in respect of the bank loans of the Group at 31 December 2008 were as follows:

- (a) The loans with an aggregate principal amount of approximately of RMB157,743,000 (2007: RMB115,380,000) were secured by buildings in the PRC, plant and machinery, land use rights and trade receivables of the Group with net carrying values of approximately of RMB86,628,000 (2007: RMB10,396,000), RMB25,624,000 (2007: RMB29,419,000), RMB21,951,000 (2007: RMB22,351,000) and RMB42,743,000 (2007: RMB62,780,000) respectively.
- (b) The loans with an aggregate principal amount of RMB42,500,000 (2007: RMB34,250,000) were guaranteed by certain independent third parties.
- (c) The loans with an aggregate principal amount of RMB5,500,000 (2007: RMB17,500,000) were guaranteed by the Company to one of its subsidiaries.

At 31 December 2008, the Group has bank loans of RMB45,000,000 (2007: RMB75,000,000) which are neither secured nor guaranteed.

At 31 December 2008, the Group has obtained loans of RMB1,950,000 (2007: RMB1,950,000) from 海門市農村信用合作社 which were secured by plant and machinery of the Group with net carrying values of approximately of RMB1,957,000 (2007: RMB2,535,000).

In addition, included in other borrowings was RMB29,550,000 (2007: RMB29,550,000) non-interest bearing loan from Beijing Offset Point Factory, a minority shareholder of a subsidiary. The amount was unsecured and repayable on demand.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 31. BANK AND OTHER BORROWINGS (Continued)

As at 31 December 2008, RMB174,500,000 (2007: RMB139,250,000) of the Group's bank and other borrowings were subject to fixed interest rates ranging from 5.04% to 8.96% (2007: 5.51% to 8.75%) and RMB35,450,000 (2007: RMB43,150,000) were subject to variable interest rates ranging from 4.05% to 11.58% (2007: 7.29% to 8.07%), which exposed the Group to fair value interest rate risk and cash flow interest rate risk respectively.

The above bank and other borrowings are all denominated in RMB and hence no foreign currency risk exposure.

### 32. LOANS FROM ULTIMATE HOLDING COMPANY

As at 31 December 2008, loans from ultimate holding company included an unsecured entrusted loans of RMB135,000,000 (2007: RMB150,000,000). During the year ended 31 December 2008, the Group has obtained loans of RMB150,000,000 and repaid an aggregate amount of RMB165,000,000. The outstanding amounts are repayable on 23 January 2009 and 23 March 2009 as to RMB50,000,000 and RMB85,000,000. The loans were subject to fixed interest rates ranging from 5.91% to 6.72% (2007: 5.51% to 6.16%) which exposed the Group to fair value interest rate risk.

In addition, the Group has obtained another loan with principal amount of RMB5,000,000 (2007: Nil) from its ultimate holding company for research and development. The loan was unsecured, interest-free and repayable on 30 November 2011 and 30 November 2012 as to RMB1,500,000 and RMB3,500,000 respectively.

All the above loans from ultimate holding company are denominated in RMB and hence have no foreign currency risk exposure.

### 33. PROVISION FOR RETIREMENT OBLIGATIONS

	2008 RMB'000	2007 RMB'000
At 1 January	35,283	17,012
Provision in the year	24,057	27,332
Payment made during the year	(14,063)	(9,061)
At 31 December	45,277	35,283
Analysed for reporting purposes as:		
	2008 RMB'000	2007 RMB'000
Current liabilities	14,256	9,581
Non-current liabilities	31,021	25,702
	45,277	35,283

The Group has implemented a retirement plan for those employees who retired before their statutory retirement age. The retirement obligations provision represents the management's best estimate of the Group's liability at the balance sheet date. These amounts have been discounted at 2.52% for the purpose of measuring the provision for retirement obligations. As at 31 December 2008, the amount of the relevant obligation of the Group is approximately RMB45,277,000 (2007: RMB35,283,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 34. SHARE CAPITAL

	RMB'000
Registered, issued and fully paid, at 1 January 2007, 31 December 2007 and 31 December 2008	
322,000,000 A shares of RMB 1 each	322,000
100,000,000 H shares of RMB 1 each	100,000
	<hr/>
	422,000

There was no change in share capital in both years.

### 35. RESERVES

- (a) Share premium represents the excess of proceeds received on issue of shares over the par value of registered share capital net of share issuing expenses.
- (b) According to relevant laws and regulations of the PRC, a company incorporated as a domestic enterprise is required to make an appropriation at the rate of 10 per cent of the profit after taxation of the company, prepared in accordance with PRC accounting standards, to the statutory surplus reserve account until the accumulated balance has reached 50 per cent of the registered capital of the company.
- (c) In accordance with a subsidiary's Articles of Association, the subsidiary incorporated as a domestic enterprise may appropriate funds to the discretionary surplus reserve after it discharges its obligations on the statutory reserves.
- (d) General reserve fund and enterprise expansion fund were set aside by a subsidiary incorporated as a foreign invested enterprise in the PRC in accordance with PRC relevant laws and regulations.

### 36. DEFERRED INCOME

In 2006 and 2007, the Group had received government grants in an aggregate amount of RMB7,255,000 related to the acquisition of plant and equipment. The Group has recognised the amount received as deferred income in the respective years and would be released as income over the estimated useful lives of the relevant assets. During the year ended 31 December 2008, government grants released to the consolidated income statement as income amounted to approximately RMB761,000 (2007: RMB2,928,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 37. MAJOR NON-CASH TRANSACTION

In 2008, according to the terms of the borrowing agreements, certain trade receivables which were pledged to several banks of approximately RMB48,967,000 (2007: RMB17,573,000) were settled by the debtors with the respective banks directly.

During the year ended 31 December 2008, increase in investment cost in one of the associates amounted to RMB3,675,000 was made by the reinvestment of dividend entitled by the Group.

### 38. OPERATING LEASES

*The Group as lessor*

Property rental income earned during the year was RMB2,006,000 (2007: RMB2,006,000). All of the Group's investment properties are held for rental purposes. They are expected to generate rental yields of 2.65% (2007: 2.61%) on an ongoing basis. All properties held have committed tenants for one year. In addition, rental income earned from leasing certain of its property, plant and equipment during the year was RMB6,201,000 (2007: RMB7,573,000).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receipts:

	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Within one year	<b>1,390</b>	1,390

*The Group as lessee*

	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Minimum lease payments paid under operating leases during the year:		
Premises	<b>2,131</b>	2,787
Property, plant and equipment	<b>74</b>	74
	<b>2,205</b>	2,861

As at 31 December 2008 and 2007, the Group had no commitment for future minimum lease payments under non-cancellable operating leases.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 39. RETIREMENT BENEFITS SCHEME

According to the relevant laws and regulations of the PRC, the Group has to pay a sum equal to 20% (2007: 20%) of the basic wages and salaries to the government of the PRC, being the Group's contribution in respect of the statutory retirement fund in satisfaction of the Group's obligations to the PRC employees retirement benefits. Total expenses for the year ended 31 December 2008 amounted to RMB23,498,000 (2007: RMB24,416,000).

### 40. RELATED PARTIES DISCLOSURE

	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Amount due from a subsidiary of BGC	<b>26</b>	206
Amounts due from associates	<b>7,846</b>	–
Amounts due to associates	<b>70,334</b>	49,484
Amount due to immediate holding company	–	1,750

The above balances with related parties are all of trading nature and are included in trade and other receivables and trade and bills payables at the balance sheet date.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 40. RELATED PARTIES DISCLOSURE (Continued)

Apart from the balances with related parties disclosed in the consolidated balance sheet and Notes 30, 31 and 32, the Group also entered into the following transactions with its related parties:

	2008 RMB'000	2007 RMB'000
Sales of printing presses to		
– Beijing Yan Long Import and Export Co., Ltd. ("Beijing Yan Long") (a subsidiary of BGC)	5,064	2,667
– BGC (immediate holding company)	–	470
Sales of materials to		
– Mitsubishi Beiren (an associate)	8,228	–
Purchase of printing presses from		
– BGC (immediate holding company)	–	9,179
– Mitsubishi Beiren (an associate)	63,899	136,493
Purchase of materials from		
– BGC (immediate holding company)	822	–
– Beijing Beiyong (an associate)	14,812	24,682
– Beiren Monigraf (an associate)	13,311	7,508
Trademark fee paid to		
– BGC (immediate holding company)	3,819	6,365
Payment of rental fee to		
– BGC (immediate holding company)	850	850
Rental income received from		
– Beiren Monigraf (an associate)	90	95
– Beijing Beiyong (an associate)	4,407	4,407
– Mitsubishi Beiren (an associate)	1,818	1,614
– BGC (immediate holding company)	930	2,630

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 40. RELATED PARTIES DISCLOSURE (Continued)

#### Transactions/balances with other State-controlled Enterprises in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "State-controlled Enterprises"). In addition, the Group itself is part of BGC, which is controlled by the PRC government. Apart from the transactions with BGC and its subsidiaries disclosed above, the Group also conducts businesses with other State-controlled Enterprises. The directors of the Company consider that transactions with other State-controlled Enterprises are activities in the ordinary course of business, and that dealings of the Group have not been significantly controlled or owned by the PRC government. The directors consider those State-controlled Enterprises are independent third parties so far as the Group's business transactions with them are concerned. The Group has also established pricing policies for products and such pricing policies do not depend on whether or not the customers are State-controlled Enterprises. Having due regard to the substance of the relationships and in view of the nature of these transactions, the directors of the Company are of the opinion that disclosure would not be meaningful.

#### Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Short-term benefits	<b>1,735</b>	2,436
Post-employment benefits	<b>80</b>	62
	<b>1,815</b>	2,498

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2008

### 41. PARTICULARS OF SUBSIDIARIES

Name of subsidiaries	Form of business nature	Place of establishment/ incorporation and principal place of operation	Percentage of registered/ issued share capital held by		Registered/issued share capital	Principal activities
			the Company			
			Directly	Indirectly		
Beijing Beiren Fuji Printing Machinery Company Limited	Sino-foreign equity joint venture enterprise	PRC	70%	–	USD5,100,000	Manufacture of form printing presses
Beijing Beiren Jingyan Printing Machinery Factory	Limited liability company	PRC	99.76%	–	RMB21,050,000	Manufacture of accessories for printing presses
Beijing Beiren Yuxin Offset Printing Company Limited	Limited liability company	PRC	68.66%	–	RMB22,430,000	Provision of magazine and book printing support
Hebei Beiren Paper Feeder Company Limited	Limited liability company	PRC	50.68%	–	RMB5,000,000	Manufacture of paper feeder machines
Haimen Beiren Fuji Printing Machinery Company Limited	Limited liability company	PRC	68.33%	14.21%	RMB51,000,000	Manufacture of printing presses
Shaanxi Beiren Printing Machinery Company Limited	Limited liability company	PRC	86.24%	–	RMB115,000,000	Sale of printing machines and accessories for printing presses

Sheenlite Limited has ceased its business on 31 May 2008 and has applied for deregistration to the Companies Registrar during the year.

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year.

### 42. COMPARATIVE FIGURES

Certain of the comparative figures for the year ended 31 December 2007 have been reclassified in conformity to the presentation of the current year consolidated financial statements.

# AUDITORS' REPORT



## To the Board of Directors of Beiren Printing Machinery Holdings Limited:

We have audited the accompanying financial statements of the Company and the consolidated statements of the Company Group, Beiren Printing Machinery Holdings Limited ("the Company"), which comprise the balance sheet of both the Company and consolidated Group as at 31 December 2008, and the income statement, cash flow statement, the statement of changes in owner's equity, of both the Company and consolidated Group, for the year then ended Dec. 31st 2008, and also the notes to the financial statements.

## THE RESPONSIBILITIES OF MANAGEMENT TO FINANCIAL STATEMENT

The Company's management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## THE RESPONSIBILITY OF AUDITORS

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China's Auditing Standards for the Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements comply with the requirements of the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and present fairly, in all material respects, the financial position of the Company as at 31 Dec 2008, and the results of operations and cash flows of the Company for the year then ended.

## ShineWing Certified Public Accountants

Ying Huang  
Chuanjun Ma

China Beijing  
Mar 30th, 2009

# THE CONSOLIDATED BALANCE SHEET

(Prepared under PRC accounting standards)  
As at 31 December 2008

Unit: RMB

Assets	Appendix	December 31st, 2008	December 31st, 2007
<b>Current Assets:</b>			
Cash	VIII.1	74,783,510.00	108,403,575.44
Tradable Financial Assets			
Notes Receivable	VIII.2	7,830,646.60	36,936,053.79
Accounts Receivable	VIII.3	298,808,641.12	416,639,166.10
Prepayments	VIII.4	26,921,968.40	32,341,619.65
Interests Receivable			
Dividends Receivable	VIII.5	622,300.00	
Other Accounts Receivable	VIII.6	35,036,409.30	33,920,379.26
Inventory	VIII.7	659,504,841.69	683,335,578.50
Non-current Assets Maturing within One Year			
Other Current Assets			
Total Current Assets		<b>1,103,508,317.11</b>	1,311,576,372.74
<b>Non-current Assets</b>			
Available For Sale Financial Assets			
Holding to Mature Investment			
Long-term Accounts Receivable			
Long-term Investment on Stocks	VIII.8	14,478,492.90	24,191,198.13
Investment Property	VIII.9	15,802,196.22	16,996,936.80
Fixed Assets	VIII.10	671,802,649.88	704,278,788.60
Construction In Progress	VIII.11	3,723,256.13	11,363,808.87
Project Materials			
Disposal of Fixed Assets			
Intangible Assets	VIII.12	129,555,254.67	133,379,306.24
Goodwill			
Long-term Prepaid Expense	VIII.13	11,996,291.10	12,062,291.10
Deferred Income Tax Assets	VIII.14	8,651,704.59	2,967,876.81
Other Non-current Assets			
Total Non-current Assets		<b>856,009,845.49</b>	905,240,206.55
<b>Total Assets</b>		<b>1,959,518,162.60</b>	2,216,816,579.29

**Liandong Pang**  
Legal Person

**Peiwu Zhang**  
Accounting Director

**Yuangang Duan**  
Accounting Manager

## THE CONSOLIDATED BALANCE SHEET

(Prepared under PRC accounting standards)  
As at 31 December 2008

Unit: RMB

Liabilities and Shareholder's Equity	Appendix	December 31st, 2008	December 31st, 2007
<b>Current Liabilities</b>			
Short-term Loan	VIII.16	360,692,750.00	365,079,750.00
Tradable Financial Liabilities			
Notes Payable	VIII.17	8,000,000.00	43,674,009.30
Accounts Payable	VIII.18	405,817,379.06	345,116,144.28
Advances From Customers	VIII.19	60,111,842.44	77,570,563.28
Employee Benefit Payable	VIII.20	67,040,363.66	53,824,488.63
Taxes Payable	VIII.21	4,878,200.28	3,457,259.94
Interests Payable		550,237.50	-
Dividends Payable			
Other Payables	VIII.22	63,945,480.53	56,569,045.82
Non-current Liabilities Maturing Within On	VIII.23	29,550,000.00	29,550,000.00
Other Current Liabilities		1,195,575.00	1,697,174.93
<b>Total Current Liabilities</b>		<b>1,001,781,828.47</b>	<b>976,538,436.18</b>
<b>Non-Current Liabilities</b>			
Long-term Loan	VIII.24	27,000,000.00	29,000,000.00
Bonds Payable			
Long-term Accounts Payable			
Special Payable	VIII.25	4,078,638.33	
Estimated liabilities	VIII.26	266,891.98	266,891.98
Accrued Liabilities			
Deferred Income Tax Liabilities			
Other Non-current Liabilities		3,564,223.27	4,325,145.86
<b>Total Non-current Liabilities</b>		<b>34,909,753.58</b>	<b>33,592,037.84</b>
<b>Total Liabilities</b>		<b>1,036,691,582.05</b>	<b>1,010,130,474.02</b>
<b>Shareholder's Equity</b>			
Stock	VIII.27	422,000,000.00	422,000,000.00
Capital Reserves	VIII.28	523,020,271.06	523,020,271.06
less: Treasury Stock			
Surplus Reserves	VIII.29	198,928,288.88	198,928,288.88
General Risk Reserves			
Undistributed Profit	VIII.30	-247,081,457.60	16,060,153.67
Converted Difference in Foreign Currency Statements			1,031,112.23
<b>Total Shareholder's Equity Attributed to the Parent</b>		<b>896,867,102.34</b>	<b>1,161,039,825.84</b>
Minority Shareholder's Equity	VIII.31	25,959,478.21	45,646,279.43
<b>Total Shareholder's Equity</b>		<b>922,826,580.55</b>	<b>1,206,686,105.27</b>
<b>Total Liabilities and Shareholder's Equity</b>		<b>1,959,518,162.60</b>	<b>2,216,816,579.29</b>

**Liandong Pang**  
Legal Person

**Peiwu Zhang**  
Accounting Director

**Yuangang Duan**  
Accounting Manager

# THE CONSOLIDATED INCOME STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

Unit: RMB

Items	Appendix	Jan-Dec, 2008	Jan-Dec, 2007
<b>1. Total Operating Income</b>		<b>759,050,785.96</b>	1,071,509,754.56
Operating Income	VIII.32	759,050,785.96	1,071,509,754.56
<b>2. Total Operating Cost</b>		<b>1,044,835,335.15</b>	1,069,215,525.11
Operating Cost	VIII.32	685,442,823.93	824,776,838.85
Tax and Additional Expense	VIII.33	3,034,939.00	6,034,057.44
Sales Expense		79,914,876.05	72,344,987.87
Administration Expense		154,289,320.42	130,373,727.76
Financing Expense	VIII.34	25,668,322.83	20,460,960.39
Assets Impairment Losses	VIII.35	96,485,052.92	15,224,952.80
Add: Income of Fair Value Change (loss marked "-")			
Investment Income (loss marked "-")	VIII.36	-8,976,805.23	-5,082,811.71
Thereinto: Investment Income to Subsidiaries and Joint Venture		-8,976,805.23	-6,489,946.09
Exchange Gain and Loss (loss marked "-")			
<b>3. Operating Profit (loss marked "-")</b>		<b>-294,761,354.42</b>	-2,788,582.26
Add: Non-operating Income	VIII.37	8,199,089.75	14,035,051.21
Less: Non-operating Expense	VIII.38	1,844,571.82	1,003,432.79
Thereinto: Disposal Loss of Non-current Assets		604,453.01	321,466.32
<b>4. Total Profit (loss marked "-")</b>		<b>-288,406,836.49</b>	10,243,036.16
Less: Income Tax Expense	VIII.39	-5,578,424.00	869,366.64
<b>5. Net Profit</b>		<b>-282,828,412.49</b>	9,373,669.52
Thereinto: Net Profit Attributed to the Parent's Shareholders		-263,141,611.27	9,278,498.87
Minority Shareholder's Equity		-19,686,801.22	95,170.65
<b>6. Earnings Per Share:</b>			
(1) Basic Earnings Per Share		-0.62	0.02
(2) Earnings Per Diluted Share		-0.62	0.02

**Liandong Pang**  
Legal Person

**Peiwu Zhang**  
Accounting Director

**Yuangang Duan**  
Accounting Manager

# THE CONSOLIDATED CASH FLOW STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

Unit: RMB

Items	Appendix	Jan-Dec, 2008	Jan-Dec, 2007
<b>1. Cash Flow From Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		<b>818,081,688.32</b>	1,039,470,109.06
Receipts of taxes and levy refunds		<b>7,625,229.56</b>	623,599.37
Other Cash receipts in operating activities	VIII.41	<b>14,415,660.27</b>	13,155,795.67
Subtotal Cash Flow in From Operating Activities		<b>840,122,578.15</b>	1,053,249,504.10
Cash payments for goods and services acquired		<b>510,447,976.50</b>	672,754,522.66
Cash payments to and on behalf of employees		<b>215,868,404.16</b>	204,814,703.83
Payments of taxes and levy		<b>40,016,177.87</b>	76,513,704.40
Other cash payments from Operating Activities	VIII.41	<b>61,552,043.68</b>	74,864,779.54
Subtotal Cash Flow out From Operating Activities		<b>827,884,602.21</b>	1,028,947,710.43
Net Cash Flow From Operating Activities		<b>12,237,975.94</b>	24,301,793.67
<b>2. Cash Flow From Investing Activities:</b>			
Cash receipts from return of investments		<b>94,847.59</b>	
Cash receipts from investment income			56,961.13
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets		<b>5,394,550.00</b>	20,445,998.24
Net cash receipts from disposal of subsidiaries and other business units			59,717.82
Other cash receipts in investing activities			
Total Cash Flow in From Investing Activities		<b>5,489,397.59</b>	20,562,677.19
Cash payments to acquired fixed assets, intangible assets and other long-term assets		<b>9,755,033.04</b>	34,997,119.22
Cash payments to acquired investments		<b>50,000.00</b>	
Net cash payment to acquired subsidiaries and other business units			
Other cash payments in investing activities			
Total Cash Flow out From Investing Activities		<b>9,805,033.04</b>	34,997,119.22
Net Cash Flow From Investing Activities		<b>-4,315,635.45</b>	-14,434,442.03



## THE CONSOLIDATED CASH FLOW STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

Unit: RMB

Items	Appendix	Jan-Dec, 2008	Jan-Dec, 2007
<b>3. Cash Flow From Financing Activities:</b>			
Cash proceeds from absorbing investment			
Thereinto: cash receipts from absorbing minority shareholders' investment by subsidiary			
Cash receipts from borrowings		<b>405,950,000.00</b>	460,150,000.00
Other cash receipts in financing activities			
<b>Total Cash Flow in From Financing Activities</b>		<b>405,950,000.00</b>	460,150,000.00
Cash repayments of amount borrowed		<b>412,337,000.00</b>	418,175,825.01
Cash payments for distribution of dividends, profits or interest expenses		<b>24,160,220.85</b>	18,892,858.01
Thereinto: subsidiary's payment for minority shareholders' interest and profit			
Other cash payments in financing activities	VIII.41	<b>9,017,612.88</b>	10,001,952.12
<b>Subtotal Cash Flow out From financing Activities</b>		<b>445,514,833.73</b>	447,070,635.14
<b>Net Cash Flow From Financing Activities</b>		<b>-39,564,833.73</b>	13,079,364.86
<b>4. Effect of exchange rate change on cash and cash equivalent</b>		<b>-506,748.95</b>	-397,010.91
<b>5. Net Increased Cash and Cash Equivalent</b>		<b>-32,149,242.19</b>	22,549,705.59
Add: the Beginning Balance of Cash and Cash Equivalent	VIII.41	<b>98,652,543.32</b>	76,102,837.73
<b>6. The Ending Balance of Cash and Cash Equivalent</b>	VIII.41	<b>66,503,301.13</b>	98,652,543.32

**Liandong Pang**  
Legal Person

**Peiwu Zhang**  
Accounting Director

**Yuangang Duan**  
Accounting Manager

# CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

Unit: RMB

Items	Amount for Current Year								
	Attributable to Owner's Equity of the Parent Company							Minority Shareholder's Equity	Total Shareholder's Equity
	Capital Share	Capital Reserves	less: Treasury Stock	Surplus Reserves	Business Risk Reserve	Undistributed Profit	Others		
<b>1. The ending balance for last year</b>	422,000,000.00	523,020,271.06		198,928,288.88		16,060,153.67	1,031,112.23	45,646,279.43	206,686,105.27
Add: Changes in Accounting Policies Corrections for previous errors									
<b>2. The beginning balance of this year</b>	422,000,000.00	523,020,271.06		198,928,288.88		16,060,153.67	1,031,112.23	45,646,279.43	206,686,105.27
<b>3. Increase and decrease for this year</b> (decrease represents as '-')									
(1) Net profit						-263,141,611.27	-1,031,112.23	-19,686,801.22	-283,859,524.72
(2) Profits and losses directly recorded in shareholder's equity						-263,141,611.27		-19,686,801.22	-282,828,412.49
I. Net variation of salable financial assets' fair value									
II. Effect of other invested companies' shareholder's equity changes									
III. Effect of related income tax recorded in shareholder's equity									
IV. Others									
Subtotal of (1) and (2)						-263,141,611.27		-19,686,801.22	-282,828,412.49
(3) Shareholders Investing and Reducing Capital									
I. Shareholders investing capital									
II. Shares payment in shareholder's equity									
III. Others									
(4) Profit Distribution							-1,031,112.23		-1,031,112.23
I. Provision of Surplus Reserve									
II. Provision for Business Risk									
III. Distribution for Shareholders									
IV. Others							-1,031,112.23		-1,031,112.23
(5) Shareholder's Equity Internal transfer									
I. Capital Reserve transfer to Capital (or Share Capital)									
II. Surplus Reserve transfer to Capital (or Share Capital)									
III. Surplus Reserve offset losses									
IV. Others									
<b>4. The ending balance for this year</b>	422,000,000.00	523,020,271.06		198,928,288.88		-247,081,457.60		25,959,478.21	922,826,580.55

**Liandong Pang**  
Legal Person

**Peiwu Zhang**  
Accounting Director

**Yuangang Duan**  
Accounting Manager

## CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

Unit: RMB

Items	Amount for the Last Year								
	Attributable to Owner's Equity of the Parent Company							Minority Shareholder's Equity	Total Shareholder's Equity
	Capital Share	Capital Reserves	less: Treasury Stock	Surplus Reserves	Business Risk Reserve	Undistributed Profit	Others		
<b>1. The ending balance for last year</b>	422,000,000.00	523,020,271.06		197,666,214.93		22,474,593.24	149,550.92	1,165,310,630.15	
Add: Changes in Accounting Policies				414,310.08		-14,845,174.57		32,057,810.06	
Corrections for previous errors									
<b>2. The beginning balance of this year</b>	422,000,000.00	523,020,271.06		198,080,525.01		7,629,418.67	149,550.92	46,488,674.551,197,368,440.21	
<b>3. Increase and decrease for this year (decrease represents as '-')</b>				847,763.87		8,430,735.00	881,561.31	-842,395.12 9,317,665.06	
(1) Net profit						9,278,498.87		95,170.65 9,373,669.52	
(2) Profits and losses directly recorded in shareholder's equity							881,561.31	881,561.31	
I. Net variation of salable financial assets' fair value									
II. Effect of other invested companies' shareholder's equity changes									
III. Effect of related income tax recorded in shareholder's equity									
IV. Others							881,561.31	881,561.31	
Subtotal of (1) and (2)						9,278,498.87	881,561.31	95,170.65 10,255,230.83	
(3) Shareholders Investing and Reducing Capital								-937,565.77 -937,565.77	
I. Shareholders investing capital									
II. Shares payment in shareholder's equity									
III. Others								-937,565.77 -937,565.77	
(4) Profit Distribution				847,763.87		-847,763.87			
I. Provision of Surplus Reserve				847,763.87		-847,763.87			
II. Provision for Business Risk									
III. Distribution for Shareholders									
IV. Others									
(5) Shareholder's Equity Internal transfer									
I. Capital Reserve transfer to Capital (or Share Capital)									
II. Surplus Reserve transfer to Capital (or Share Capital)									
III. Surplus Reserve offset losses									
IV. Others									
<b>4. The ending balance for this year</b>	422,000,000.00	523,020,271.06		198,928,288.88		16,060,153.67	1,031,112.23	45,646,279.431,206,686,105.27	

**Liandong Pang**  
Legal Person

**Peiwu Zhang**  
Accounting Director

**Yuangang Duan**  
Accounting Manager

# THE BALANCE SHEET OF THE PARENT

(Prepared under PRC accounting standards)  
As at ended 31 December 2008

Unit: RMB

Assets	Appendix	31-Dec-08	31-Dec-07
<b>Current Assets:</b>			
Cash		53,273,532.77	76,686,356.44
Tradable Financial Assets			
Notes Receivable		5,207,218.80	26,497,521.72
Accounts Receivable	IX.1	253,002,606.89	351,006,504.84
Prepayments		11,886,494.43	23,202,943.68
Interests Receivable			
Dividends Receivable		622,300.00	
Other Accounts Receivable	IX.2	8,707,574.84	22,104,134.29
Inventory		473,276,767.37	454,309,722.76
Non-current Assets Maturing Within One Year			
Other Current Assets			
Total Current Assets		805,976,495.10	953,807,183.73
<b>Non-current Assets</b>			
Available For Sale Financial Assets			
Holding to Mature Investment			
Long-term Accounts Receivable			
Long-term Investment on Stocks	IX.3	217,073,192.16	226,785,897.39
Investment Property		15,802,196.22	16,996,936.80
Fixed Assets		506,064,054.57	533,297,825.16
Construction in Progress		1,979,279.63	3,060,762.30
Project Materials			
Disposal of Fixed Assets			
Intangible Asset		104,185,068.28	106,837,801.21
Goodwill			
Long-term Prepaid Expense		11,996,291.10	12,062,291.10
Deferred Income Tax Assets			
Other Non-current Assets			
Total Non-current Assets		857,100,081.96	899,041,513.96
<b>Total Assets</b>		<b>1,663,076,577.06</b>	<b>1,852,848,697.69</b>

**Liandong Pang**  
Legal Person

**Peiwu Zhang**  
Accounting Director

**Yuangan Duan**  
Accounting Manager

## THE BALANCE SHEET OF THE PARENT

(Prepared under PRC accounting standards)  
As at 31 December 2008

Unit: RMB

Liabilities and Shareholder's Equity	Appendix	31-Dec-08	31-Dec-07
<b>Current Liabilities:</b>			
Short-term Loan		272,742,750.00	285,579,750.00
Tradable Financial Liabilities			
Notes Payable		0.00	24,674,009.30
Accounts Payable		279,873,659.04	239,238,492.05
Advances From Customers		18,026,655.38	37,956,490.37
Employee Benefit Payable		41,626,448.49	29,981,327.84
Taxes Payable		-1,092,290.44	-1,042,929.85
Interests Payable		550,237.50	
Dividends Payable			
Other Payables		66,453,202.81	66,660,372.80
Non-current Liabilities Maturing Within One Year			
Other Current Liabilities		395,575.00	1,350,000.00
Total Current Liabilities		<b>678,576,237.78</b>	684,397,512.51
<b>Non-Current Liabilities</b>			
Long-term Loan			
Bonds Payable			
Long-term Accounts Payable			
Special Payable		4,078,638.33	
Estimated liabilities		266,891.98	266,891.98
Deferred Income Tax Liabilities			
Other Non-current Liabilities		2,627,264.02	3,284,080.03
Total Non-current Liabilities		<b>6,972,794.33</b>	3,550,972.01
<b>Total Liabilities</b>		<b>685,549,032.11</b>	687,948,484.52
<b>Shareholder's Equity</b>			
Stock		422,000,000.00	422,000,000.00
Capital Reserves		517,456,262.71	517,456,262.71
less: Treasury Stock			
Surplus Reserves		193,826,863.24	193,826,863.24
Undistributed Profit		-155,755,581.00	31,617,087.22
<b>Total Shareholder's Equity</b>		<b>977,527,544.95</b>	1,164,900,213.17
<b>Total Liabilities and Shareholder's Equity</b>		<b>1,663,076,577.06</b>	1,852,848,697.69

**Liandong Pang**  
Legal Person:

**Peiwu Zhang**  
Accounting Director:

**Yuangang Duan**  
Accounting Manager

# THE INCOME STATEMENT OF THE PARENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

Unit: RMB

Assets	Appendix	31-Dec-08	31-Dec-07
<b>1. Total Operating Cost</b>	<i>IX.4</i>	<b>448,954,345.18</b>	788,589,184.17
less: Operating Cost	<i>IX.4</i>	<b>398,259,006.93</b>	622,975,048.95
Tax and Additional Expense		<b>2,210,512.11</b>	5,265,383.21
Sales Expense		<b>45,524,825.55</b>	43,123,932.82
Administration Expense		<b>96,823,723.24</b>	88,228,679.02
Financing Expense		<b>15,359,574.60</b>	13,730,581.83
Assets Impairment Losses		<b>70,390,413.42</b>	7,459,568.93
Add Income of Fair Value Change (loss marked "-")			
Investment Income (loss marked "-")	<i>IX.5</i>	<b>-8,976,805.23</b>	-2,762,159.04
Thereinto: Investment Income to Subsidiaries and Joint Venture		<b>-8,976,805.23</b>	-6,489,946.09
<b>2. Operating Profit (loss marked "-")</b>		<b>-188,590,515.90</b>	5,043,830.37
Add: Non-operating Income		<b>1,982,060.43</b>	3,906,616.95
Less: Non-operating Expense		<b>764,212.75</b>	472,808.58
Thereinto: Disposal Loss of Non-current Assets		<b>573,785.19</b>	54,999.27
<b>3. Total Profit (loss marked "-")</b>		<b>-187,372,668.22</b>	8,477,638.74
Less: Income Tax Expense			
<b>4. Net Profit</b>		<b>-187,372,668.22</b>	8,477,638.74
<b>5. Earnings Per Share:</b>			
(1) Basic Earnings Per Share			
(2) Earnings Per Diluted Share			

**Liandong Pang**  
Legal Person

**Peiwu Zhang**  
Accounting Director

**Yuangang Duan**  
Accounting Manager

# THE CASH FLOW STATEMENT OF THE PARENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

Unit: RMB

Items	Appendix	Jan-Dec, 2008	Jan-Dec, 2007
<b>1. Cash Flow From Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		<b>473,405,002.13</b>	678,390,004.57
Receipts of taxes and levy refunds		<b>6,002,223.99</b>	565,299.37
Other Cash receipts in operating activities		<b>8,387,733.10</b>	10,920,155.22
Subtotal Cash Flow in From Operating Activities		<b>487,794,959.22</b>	689,875,459.16
Cash payments for goods and services acquired		<b>265,435,290.27</b>	409,491,901.44
Cash payments to and on behalf of employees		<b>140,788,110.24</b>	144,330,572.72
Payments of taxes and levy		<b>27,315,498.54</b>	57,320,697.92
Other cash payments from Operating Activities		<b>47,133,266.60</b>	60,044,923.85
Subtotal Cash Flow out From Operating Activities		<b>480,672,165.65</b>	671,188,095.93
Net Cash Flow From Operating Activities		<b>7,122,793.57</b>	18,687,363.23
<b>2. Cash Flow From Investing Activities:</b>			
Cash receipts from return of investments		<b>44,847.59</b>	
Cash receipts from investment income			56,961.13
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets		<b>123,190.00</b>	1,714,290.00
Net cash receipts from disposal of subsidiaries and other business units			59,717.82
Other cash receipts in investing activities			
Total Cash Flow in From Investing Activities		<b>168,037.59</b>	1,830,968.95
Cash payments to acquired fixed assets, intangible assets and other long-term assets		<b>2,580,925.15</b>	7,095,905.04
Cash payments to acquired investments			
Net cash payment to acquired subsidiaries and other business units			
Other cash payments in investing activities			
Total Cash Flow out From Investing Activities		<b>2,580,925.15</b>	7,095,905.04
Net Cash Flow From Investing Activities		<b>-2,412,887.56</b>	-5,264,936.09

## THE CASH FLOW STATEMENT OF THE PARENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

Unit: RMB

Items	Appendix	Jan-Dec, 2008	Jan-Dec, 2007
<b>3. Cash Flow From Financing Activities:</b>			
Cash proceeds from absorbing investment			
Cash receipts from borrowings		<b>295,000,000.00</b>	304,435,000.00
Other cash receipts in financing activities			
Total Cash Flow in From Financing Activities		<b>295,000,000.00</b>	304,435,000.00
Cash repayments of amount borrowed		<b>307,837,000.00</b>	271,690,825.01
Cash payments for distribution of dividends, profits or interest expenses		<b>14,746,634.90</b>	12,461,640.10
Other cash payments in financing activities		<b>5,332,000.00</b>	
Subtotal Cash Flow out From financing Activities		<b>327,915,634.90</b>	284,152,465.11
Net Cash Flow From Financing Activities		<b>-32,915,634.90</b>	20,282,534.89
<b>4. Effect of exchange rate change on cash and cash equivalent</b>		<b>-39,094.78</b>	-154,833.61
<b>5. Net Increased Cash and Cash Equivalent</b>		<b>-28,244,823.67</b>	33,550,128.42
Add: the Beginning Balance of Cash and Cash Equivalent		<b>76,186,356.44</b>	42,636,228.02
<b>6. The Ending Balance of Cash and Cash Equivalent</b>		<b>47,941,532.77</b>	76,186,356.44

**Liandong Pang**  
*Legal Person*

**Peiwu Zhang**  
*Accounting Director*

**Yuangang Duan**  
*Accounting Manager*



# STATEMENT OF MOVEMENT ON EQUITY OF THE PARENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

Unit: RMB

Items	Amount for Current Year					Total Shareholder's Equity
	Capital Share	Capital Reserves	less: Treasury Stock	Surplus Reserves	Undistributed Profit	
<b>1. The ending balance for last year</b>	422,000,000.00	517,456,262.71		193,826,863.24	31,617,087.22	1,164,900,213.17
Add: Changes in Accounting Policies						
Corrections for previous errors						
<b>2. The beginning balance of this year</b>	422,000,000.00	517,456,262.71		193,826,863.24	31,617,087.22	1,164,900,213.17
<b>3. Increase and decrease for this year (decrease represents as '-')</b>						
(1) Net profit					-187,372,668.22	-187,372,668.22
(2) Profits and losses directly recorded in shareholder's equity						
I. Net variation of salable financial assets' fair value						
II. Effect of other invested companies' shareholder's equity changes						
III. Shareholder's equity						
IV. Others						
Subtotal of (1) and (2)					-187,372,668.22	-187,372,668.22
(3) Shareholders Investing and Reducing Capital						
I. Shareholders investing capital						
II. Shares payment in shareholder's equity						
III. Others						
(4) Profit Distribution						
I. Provision of Surplus Reserve						
II. Distribution for Shareholders						
III. Others						
(5) Shareholder's Equity Internal transfer						
I. Capital Reserve transfer to Capital (or Share Capital)						
II. Surplus Reserve transfer to Capital (or Share Capital)						
III. Surplus Reserve offset losses						
IV. Others						
<b>4. The ending balance for this year</b>	422,000,000.00	517,456,262.71		193,826,863.24	-155,755,581.00	977,527,544.95

**Liandong Pang**  
Legal Person

**Peiwu Zhang**  
Accounting Director

**Yuangang Duan**  
Accounting Manager

## STATEMENT OF MOVEMENT ON EQUITY OF THE PARENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

Unit: RMB

Items	Amount for the Last Year					
	Capital Share	Capital Reserves	less: Treasury Stock	Surplus Reserves	Undistributed Profit	Total Shareholder's Equity
<b>1. The ending balance for last year</b>	422,000,000.00	524,038,491.54		192,564,789.29	28,416,516.59	1,167,019,797.42
Add: Changes in Accounting Policies		-6,582,228.83		414,310.08	-4,429,304.24	-10,597,222.99
Corrections for previous errors						-
<b>2. The beginning balance of this year</b>	422,000,000.00	517,456,262.71		192,979,099.37	23,987,212.35	1,156,422,574.43
<b>3. Increase and decrease for this year (decrease represents as '-')</b>				847,763.87	7,629,874.87	8,477,638.74
(1) Net profit					8,477,638.74	8,477,638.74
(2) Profits and losses directly recorded in shareholder's equity						
I. Net variation of salable financial assets' fair value						
II. Effect of other invested companies' shareholder's equity changes						
III. Effect of related income tax recorded in shareholder's equity						
IV. Others						
Subtotal of (1) and (2)					8,477,638.74	8,477,638.74
(3) Shareholders Investing and Reducing Capital						
I. Shareholders investing capital						
II. Shares payment in shareholder's equity						
III. Others						
(4) Profit Distribution				847,763.87	-847,763.87	
I. Provision of Surplus Reserve				847,763.87	-847,763.87	
II. Distribution for Shareholders						
III. Others						
(5) Shareholder's Equity Internal transfer						
I. Capital Reserve transfer to Capital (or Share Capital)						
II. Surplus Reserve transfer to Capital (or Share Capital)						
III. Surplus Reserve offset losses						
IV. Others						
<b>4. The ending balance for this year</b>	422,000,000.00	517,456,262.71		193,826,863.24	31,617,087.22	1,164,900,213.17

**Liandong Pang**  
Legal Person

**Peiwu Zhang**  
Accounting Director

**Yuangan Duan**  
Accounting Manager

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

## I. GENERAL

Beiren Printing Machinery Holdings Limited (the “Company”) was established by Beiren Group Corporation in Beijing, the People’s Republic of China (the “PRC”) on 13 July 1993 as a joint stock limited company. The Company was registered on 13 July 1993. In accordance with the approval of Ti Gai Sheng (1993) No. 118 issued by the State Commission for Restructuring the Economic System of the PRC, the Company became a listed company with the right of issuing public shares in both mainland of China and Hong Kong. In accordance with the approval of the China Securities Regulatory Commission (“CSRC”) of the State Council, the H Shares and A Shares of the Company were listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC in 1993 and 1994 respectively.

Upon the approval of General Shareholders’ Meeting on 16 May 2001 and 11 Jun 2002 as well as the approval of document Zheng Jian Fa Xing Zi [2002] No. 133 issued by China Securities Regulatory Commission (“CSRC”) in 2002, during the period from 26 Dec 2002 to 7 January 2003, the Company issued 22,000,000 additional A Shares listed on the Shanghai Stock Exchange, with par value of RMB 1 Yuan.

After the additional issues, the total outstanding shares of the Company are added up to 422,000,000 shares, among which 250,000,000 shares are state-owned institutional shares, 72,000,000 shares are inland public issues, 100,000,000 shares are offshore public issues. All shares are with par value RMB 1 Yuan.

In accordance with the “Decision on the share right reformation of Beiren Printing Machinery Holdings Limited” issued by the Committee of State-owned Assets Supervision and Administration of Beijing Government, Beiren Group Corporation as the sole non-floating shares holder should transfer the original 27,360,000 state-owned shares to the A share holders through the bonus issue on 10 for 3.8, and the registration date related to the share segregation reform was 29 March 2006. After the share right reformation, up to 31 Dec 2008, Beiren Group Corporation have held the state-owned institutional shares 222,640,000, as 52.76% of total share rights, among which 180,440,000 are conditionally floating shares. 99,360,000 shares which are 23.54% of the total share rights are unconditioned inland public shares and unconditioned offshore public shares are 100,000,000 shares as 23.70% of the total share rights.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in developing, designing, manufacturing and selling a variety of printing press and related spare parts, as well as the technique consultation and services related to the operating business.

The board of directors exists to take charge of major decisions and the management on daily operation.

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENT

The financial statements have been prepared on the basis that the Company will continue to operate as a going concern.

## III. ANNOUNCEMENT

The financial statements prepared by the Company are subject to requirements from the Accounting Standards and present fairly the Company’s financial position, operation results, cash flow and other related information.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### IV. SIGNIFICANT CHANGES OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES, CORRECTIONS TO THE LAST PERIOD

There are no significant changes of accounting policies and accounting estimates and no significant corrections to the last period for the Company to disclose as of 31 Dec 2008.

### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Accounting period

The accounting period of the Company is from 1 January to 31 December.

#### 2. Base currency

The base currency for book keeping of the Company is RMB.

#### 3. Principles of accounting and measurement

The Company's basis of accounting is the accrual method. Except for financial assets for trading and available-for-sale financial assets which are measured at fair value, assets are measured at history cost.

#### 4. Cash and Cash equivalents

Cash in the cash flow statement indicates the cash on hand and the deposit in a bank available for paying out at any time. Cash equivalents in the cash flow statement are short-term (normally matured within 3 months), highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 5. Foreign exchange translation

##### (1) Transactions by foreign currency

Transactions by foreign currency are translated into RMB at the exchange rate issued by the People's Bank of China on the date when the transactions take place. On the balance sheet date, monetary items by foreign currency are translated into RMB at the exchange rate issued by the People's Bank of China on the balance sheet date. Apart from the exchange difference caused by specific foreign currency loans for purchasing and establishing assets which will be capitalized eventually, the exchange difference is accounted into current period. For non-monetary items measured at fair value and by foreign currency, the exchange rate on the date when the fair value is recognized is applied and the exchange difference is accounted into current period as a result of fair value change. For non-monetary accounts measured in foreign currency under historical cost method, the exchange rate on the date when the cost is recognized is applied and the amount in RMB kept unchanging.

##### (2) Translation of foreign currency in financial statements

For the balance sheet in foreign currency, assets and liabilities are translated at the exchange rate on the balance sheet date. Except for undistributed profit, items in shareholders' equity are translated at the exchange rate on the date when transactions occurred. For the income statement in foreign currency, revenue and expenses are translated at the exchange rate on the date when transactions occur. The arisen exchange differences of foreign currency in statements above are presented separately in shareholders' equity. For net investments in foreign operations, differences as a result of exchange rate changes are presented separately in shareholders' equity in consolidated financial statements. When disposing of foreign operations, exchange difference of foreign currency in statements is accounted into the current period pro rata.

Foreign cash flows are translated at the exchange rate on the date when transactions take place. The effect of exchange rate change is presented separately in the cash flow statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 6. Financial assets and financial liabilities

##### (1) Financial assets

In accordance with the investment purpose and the economic substance, the Company classifies its financial assets into four categories: financial assets which are measured at fair value and whose movement on fair value is accounted into current period, Held-to-maturity financial investments, receivables, and financial assets available for sale.

- 1) Financial assets, which are measured at fair value and whose movement on fair value is accounted into current period, refer to those financial assets held for sale in short-term. They are presented as financial assets for trading in balance sheet.
- 2) Held-to-maturity financial investments refers to those non-derivative financial assets with fixed maturity date, fixed or known return and the management has the obvious intention, capability to hold it until maturity date.
- 3) Receivables include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables. They are non-derivative financial assets with fixed or known return but no quotation in the market.
- 4) Available-for-sale financial assets include non-derivative assets designated as available-for-sale financial assets initially and other financial assets not classified into the other three categories.

Financial assets are initially recognized at fair value. For the financial assets which are measured at fair value and whose movement on fair value is accounted into current period, the expenses for the acquirement are accounted into the current period and the other relative transaction fees are recognized into initial cost. When a contract regarding to the receipt of cash flows from a financial asset terminates or risks and benefits in relation to the ownership of a financial asset is transferred, the recognition of this financial asset will be terminated.

Financial assets, which are measured at fair value and whose movement on fair value is accounted into current period, and available-for-sale financial assets are measured subsequently at fair value. Receivables and held-to-maturity financial investments are subject to effective interest method and are presented as the cost after amortization.

For financial assets, which are measured at fair value and whose movement on fair value is accounted into current period, the movement of fair value is presented in 'gain and loss from fair value changes'. The interests or dividends acquired when holding the financial asset are reported as 'investment income'. When disposed, the difference between its fair value and the initial cost is accounted into investment gain and loss and meanwhile the 'gain and loss from fair value changes' is adjusted.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 31 December 2008

### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 6. Financial assets and financial liabilities *(Continued)*

##### (1) Financial assets *(Continued)*

For available-for-sale financial assets, the fair value changes are accounted into shareholders' equity. The interests calculated by effective interest method, as well as cash dividends announced by the investee are accounted into the 'investment income'. When disposed, the difference between the amount received and the book value after the cumulative amount of fair value changes accounted into shareholders' equity is accounted into investment gain and loss.

Except for the financial assets which are measured at fair value and whose movement on fair value is accounted into current period, the Company assesses the book value of the other financial assets on balance sheet date. The provision will be withdrawn in case that there are objective evidences showing the provision of a financial asset's value. If the fair value of available-for-sale financial assets declines dramatically or not temporarily, the accumulated loss which was accounted into the shareholders' equity from the decrease of the fair value will be accounted into the impairment loss of current period. For the investment on the financial debt implementation whose impairment loss has been reported, when the fair value goes up after the period and this change is objectively related to the matters after the report of impairment loss, the reported impairment loss will be reversed and accounted into current period. For the investment on the financial equity implementation, when the fair value goes up after the period and this change is objectively related to the matters after the report of impairment loss, the reported losses will be transferred back and accounted into shareholders' equity. The impairment loss of equity implementation whose fair value can not be measured securely as well as no announced price in the market can not be reversed.

##### (2) Financial liabilities

The financial liabilities of the Company are classified into two categories when they are initially measured: financial liabilities which are measured at fair value and whose movement on fair value is accounted into current period, and other financial liabilities.

The financial liabilities which are measured at fair value and whose movement on fair value is accounted into current period cover financial liabilities for trading and those designated as into this category initially. For these financial liabilities, the subsequent measurement is at their fair value and the gain or loss from the movement of fair value as well as the relative dividends and interests are accounted into current period.

The other financial liabilities are subject to effective interest method and are presented as the cost after amortization.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 7. Provision for bad debts of receivables

The Company assesses the book value of receivables on balance sheet date, and makes the provision for bad debt when any of the following circumstances occur: (1) There is the existence of the withdrawal, bankrupt, insolvency, stoppage due to a natural disaster or weak solvency within foreseeable period from debt enterprises. (2) Debt enterprises have not satisfied debts past the due date for more than 3 years. (3) There are other substantial evidences showing that receivables can hardly be collected.

For the individual receivables below significant level, when the receivables can not be fully collected with solid evidences, the impairment test should be carried out, and the provision of bad debts should be planned according to the difference between the present value of future cash flows and the book value of receivables.

For the individual receivables below significant level, they will be grouped according to the credit risk characteristics as well as those receivables without impairment after testing. On the basis of the actual percentage of loss of previous receivable group with similar risk level, taking the current conditions into consideration, the Company plans the provision of bad debts by the rate of each group. The Company also groups those receivables which are expected hardly to be paid under solid proofs into specific assets combination and planned the provision fully.

#### 8. Inventory

The inventory of the Company covers goods in transit, raw material, work in process, finished goods, low-price and perishable articles, self-made semi-finished products, and outside processing materials, etc.

The perpetual system is applied to physically count inventory. The inventory is measured at actual cost when acquired and at weighted average cost on calculation of cost of sales. Low-price and perishable articles and packing materials are written-off at once into the current period.

At the end of period, inventory is measured as lower of cost and net realizable value. For inventories whose value is impaired due to the physical damage or technically out of date or selling price lower than cost, the provision for inventory will be planned. The provision for finished goods and raw materials in a large amount is planned on the basis of the difference of the cost of the individual inventory item over its net realizable value. The provision for the auxiliary materials with a large quantity and low cost is withdrawn in terms of classification.

The net realizable value of these inventories, such as finished goods, work in process and materials for selling, is their estimated price after estimated sales expenses and relevant taxes. The net realizable value of materials which are for production is estimated price of relevant finished goods after estimated cost for finishing goods, estimated sales expenses and relevant taxes. The net realizable value of those inventories which are for contracts is calculated on the basis of contract price. The net realizable value for those inventories beyond contracts is calculated on the basis of the general selling price.



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### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 9. Long-term equity investment

The item of long-term equity investment includes equity investments which are either with the control, common control or significance influence over investees, or without those control or influence over investees but no pricing and no reliable fair value measured in the market.

Common control indicates the sharing control according to the contract. Any parties involved in can not control the production and operation activities of the joint venture. All decisions related to principal operation activities need the agreement from all parties.

Significant influence indicates the rights to be involved into the decision-making on financial and operational policies in investees but no control or common control on these policies-making. The evidence of significant influence is the direct ownership or indirect ownership through subsidiaries of from 20% up to 50% voting rights from investees otherwise there must be solid evidences showing investors can not be involved in investees' decision making under such conditions.

When the long-term equity investment is arising from merger of enterprises under the common control, the initial investment cost is recognized as the percentage of shareholders' equity book value of the investee. When the long-term equity investment is arising from the merger of enterprises under the non-common control, the cost of merging is measured including: assets paid, actual liabilities charged and the fair value of issued equity securities on the merger date, and recognized as the cost of initial equity investment.

Apart from the situation above, if the long-term equity investment is acquired by cash, the actual payment will be recognized as the initial investment cost which covers all the direct expenses, taxes and other necessary direct contributable expenses for this acquirement. If the long-term equity investment is acquired by issuing equity securities, the fair value of issuing equity securities will be recognized as the initial investment cost. If there is a contract or an agreement on the value of this investment from investors to acquire the long-term equity investment, then the contract or agreement price will be the initial cost of this investment. If the long-term equity investment is acquired by debts restructuring or exchange of non-monetary items, the relevant accounting standards will be applied to recognize the initial investment cost.

The Company recognizes the investment on subsidiaries by cost method and adjusts into equity method in compilation of consolidated statements. The Company applies the equity method on accounting the investment of joint ventures and associated companies, and the cost method on accounting the long-term equity investment without control, common control and significant influence as well as no pricing and no reliable fair value in the market. The Company accounts the long-term equity investment, which is without the control, the common control or significant influence but with pricing and reliable fair value in the marked, as available-for-sale financial assets.

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### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 9. Long-term equity investment *(Continued)*

Under the cost method, the long-term equity investment is measured at initial investment cost. The investment income is subject to the distribution of accumulative net profit from investees after the investment. Then the apportioned profit or cash dividends acquired from investees will be written off against the book value of the investment as a withdrawal of initial investment cost.

Under the equity method, the investment gains or loss in current period is the apportionment of the net profit or loss from investees in the same period. To recognize this apportionment of the net profit or loss from investees, the investors should adjust the net profit from investees by offsetting the gains or loss from intra sales with associated companies or joint ventures on the basis of realizable assets fair value from investees under investors' accounting policies.

To recognize the apportioned net loss from investees, the deduction limitation to the book value of long-term equity investment and other net long-term equity investment in substance on investees is up to zero. Besides, if the Company is responsible for extraneous loss of investees, the estimated liabilities will be accounted into current period. When investees realize profits later on, the Company recovers the unconfirmed loss first and then recognizes revenues.

For the long-term equity investment on associated companies and joint ventures before the first implementation date, if there is a difference on debt side of equity investment, the difference allocated by straight-line amortization in the rest periods should be deducted first and then the investment gains or loss will be recognized.

#### 10. Investment in real estate

The investment in real estate includes the land usage right that is leased to other parties, the land usage right held for selling after the value added and the houses and buildings that are leased to other parties.

The investment in real estate is recognized at its cost. The cost of purchased investment in real estate covers the purchasing price, relevant taxes and expenses and other expenditures directly attribute to it. The cost of self-made investment in real estate comprises all necessary expenditures before the estate is available to use.

The investment in real estate is amortized and depreciated depending on its life time and the salvage value. The life time and the rate of salvage value applied by the Company are as follows:

<b>Classification</b>	<b>Useful life</b>	<b>The rate of salvage value</b>	<b>Amortization rate(%)</b>
Land usage right	50 years		1.940
Houses & buildings	40 years	3%	2.425

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### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 10. Investment in real estate *(Continued)*

When the investment in real estate is changed for owner occupied, it is recognized as fixed assets or intangible assets since the date of this change. When the real estate for owner occupied is changed for earning rents or value-added, it is recognized as the investment in real estate since the date of this change. The new entry value is the book value before the change.

When the investment in real estate is disposed or ceases the use and no future economic benefits from the disposal, it should be derecognized. Gains from the disposal, conveyance, retirement or impairment of the investment in real estate after its book value and relevant taxes and expenses are accounted into current period.

#### 11. Fixed assets

Fixed assets are defined as the tangible assets which are held for the purpose of producing goods, rendering services, leasing for operation & management. The useful life of fixed assets is more than one year and the unit price is over RMB2000.

Fixed assets which cover buildings, machinery, transportation equipments, administrative equipments and others are initially measured at their cost. The cost of purchased fixed assets includes the purchasing price, VAT, import duty and other relevant taxes and expenses, as well as other expenditures attribute to assets for their availability of use. The cost of self-made fixed assets covers all expenditures for their availability to use. The cost of fixed assets invested by investors is recognized under contracts or agreements but if the value from contracts or agreements is not fair, the fair value will be applied. The fixed assets from finance leasing are measured at lower of the fair value and the minimum payment of leasing on leasing date.

The subsequent measurement of fixed assets comprises maintenance expenses and renewal and renovation expenses etc. Expenses which meet the criteria of fixed assets are accounted into the cost of fixed assets otherwise are accounted into current period. The replacement part is derecognized from the account.

Apart from those fixed assets fully depreciated but still in use, land is separately recognized. The Company withdraws depreciation for fixed assets by straight-line method and the depreciations are accounted into current period in accordance with the purposes of fixed assets. The estimated amortization rate and the year-limit of depreciation useful life applied by the Company are as follows:

<b>Classification</b>	<b>Useful life</b>	<b>The rate of salvage value (%)</b>	<b>Depreciation rate (%)</b>
Building	40	3	2.425
Machinery	8-14	3	12.125-6.929
Transportation Equipment	8	3	12.125
Administrative equipments and others	8	3	12.125

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### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 11. Fixed assets *(Continued)*

The Company assesses the useful life, the depreciation rate and the method of depreciation for fixed assets at the end of period yearly. If any changes occur, they will be regarded as changes on accounting estimates.

The Company derecognizes fixed assets from the account which has been disposed or can not generate economic benefits by using or disposing. The income from selling, transferring, disposal or impairment of fixed assets, after their book value and relevant taxes and expenses is accounted into current period.

#### 12. Construction in process

Construction in process is recognized at actual cost. Self-construction project is recognized at the cost of direct material, labor cost and construction expenses. Contracted construction is recognized at actual project price. Installed construction is recognized at the value of equipments, expenses of installation and assembly and expenditures of pilot run. Besides above, the cost of construction in process comprises the borrowing cost which can be capitalized and foreign exchange gains and losses.

Constructions in process are carried down into fixed assets at an estimated cost on the basis of the project budgeting, pricing and actual cost when completing and achieving estimated usage status. The corresponding depreciation on these fixed assets will be withdrawn since the month after carrying down. After clearing for completed the project, the difference of fixed assets' account value will be adjusted.

#### 13. Borrowing cost

Borrowing cost includes interests from borrowing, amortization of discount or price premium, other attributable expenses and foreign exchange difference from borrowing in foreign currency. Borrowing cost which directly attributes to purchasing or constructing assets is to be capitalized when expenditures for assets and borrowing cost occur and the activities of purchasing or constructing commences. When assets arrive in usable status, the capitalization of borrowing cost ceases. The rest of borrowing cost will be accounted into current period.

The current actual interest expenses from specific borrowings, after interest income from the unused borrowings in bank or short-term investment gains by the unused borrowings, are capitalized. The capitalized amount for the general borrowing is calculated as weighted average of the general borrowing (excluding any specific borrowings for qualified asset) times the weighted average of the interest rate of the general borrowing.

Assets which can be capitalized indicate fixed assets, investment in real estate and inventories which arrive in usable or sellable status after purchasing and constructing more than one year generally.

If an abnormal interrupting takes place during the purchasing and constructing of assets which can be capitalized for more than three months, the capitalization of borrowing cost ceases until the purchasing and constructing of assets restart.

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### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 14. Intangible assets

Then intangible assets of the Company including the land usage right and non-patent technology are recognized at their actual cost. The cost of purchased intangible assets includes the actual purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets. The cost of intangible assets invested into by investors is measured according to the investment contract or agreement, except for those with unfair value in the contract or agreement.

The Company amortizes land usage right on the basis of its useful life by straight line method since it is acquired. The patent technology, non-patent technology and other intangible assets are amortized on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortization amount is accounted into current period.

The Company assesses the estimated useful life and amortization method of intangible assets with limited useful life at the end of each year and makes adjustment if needed. The Company assesses the estimated useful life of intangible assets with uncertain useful life during each accounting period. If there are evidences to prove the useful life of intangible assets is limited, the Company will estimate their useful life and amortize the intangible assets within the estimated lifetime.

#### 15. R&D expense

For the R&D expenses generated internally, it is classified as Research Stage and Development Stage in accordance with the nature of expenses and the possibility of forming into intangible assets.

For internally-generated intangible assets, the expenditures in research phase are accounted into current period. The expenditures in development phase are recognized as intangible assets if they meet the following requirements:

- 1) It is feasible to sell or use the intangible asset technically.
- 2) The intention is to sell or use the intangible asset.
- 3) The market is available for products from the intangible asset or the intangible asset itself.
- 4) The Company is capable of accomplishing the development of intangible asset by the support of techniques, finance and other resources and of using or selling the intangible asset.
- 5) The expenditures on the research and development of the intangible asset can be measured reliably.

If the expenditures can not meet the above criteria, they will be accounted into period. The expenditures expensed in previous accounting period can not be recognized as the asset in later accounting period. The capitalized expenditures in development phase are presented as development expenditure in balance sheet and it is carried down into the intangible asset since the date when the asset arrives in usable status.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 16. Impairment of non-financial assets

The Company assesses the long-term equity investment, fixed assets, construction in progress on each balance sheet date. There may be an impairment of on any of them according to following indications. The Company should test impairments. The Company tests the impairment of goodwill, intangible assets with uncertain useful life at the end of every year no matter if there are indicators. When it is difficult to test the recoverable amount of an asset, the test on the basis of the corresponding assets group will be taken.

After the test of impairment, if the book value exceeds the recoverable amount of the asset, the difference is accounted as impairment loss. The losses of impairment recognized are not reversible later on. The recoverable amount of an asset refers to the higher of the fair value of the asset after disposal expenses and the present value of estimated future cash flow of the asset.

#### Indications of impairment are as follows:

- (1) During the period, the market value of an asset has declined significantly and the decrease is far more than the decrease caused by timing or practice.
- (2) Significant changes, in terms of economic, technical or legal environment and the market, with a negative effect on the Company have taken place during the period, or will take place in the near future.
- (3) Market interest rates or other market rates of return on investments have increased during the period and the increase of rates is likely to affect the discount rate used in calculating the NPV of future cash flow of assets and decreases the recoverable amount of assets in substance.
- (4) Evidences are available for the obsolescence or physical damage of an asset.
- (5) An asset has been idle or is becoming idle, discontinued, or planned to be disposed in advance.
- (6) Evidences from internal reporting indicate that the economic performance of an asset is or will be, worse than expectations. For instance, the net cash flow or net profit generated by an asset is far lower than the amount expected.
- (7) Other evidences indicate the impairment of assets.

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### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 17. Long-term prepaid expense

The long-term prepaid expense of the Company covers actual expenses charged into current period and later periods. The length of period is normally more than one year (excluding one year). These expenses are amortized within beneficial periods. If the long-term prepaid expense can not benefit the later periods, the amortized price will be accounted into current period.

#### 18. Employee compensation

The Company recognizes the employee compensation as a liability and account it into corresponding cost or expenses. The compensation for dismissing the labour contract with employees is accounted into current period.

Employee compensation comprises salary, bonus, allowance, welfare, social insurance, housing fund, labor union expenditure, employee education expenditure and other relevant expenditures on service rendered by the employees.

If the Company terminates a labor contract before the retirement date, or persuades employees to accept the cancellation of labor contracts, the compensation will be accounted as estimated liabilities into current period.

When the Company implements the internal retire plan, the payment on schedule related to employees involved in this plan will be accounted as estimated liabilities into current period if the payment meets liabilities recognition.

#### 19. Contingent liability/Estimated liability

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements, the Company will recognize them as liabilities. The requirements mentioned above are as follows: The assumed responsibilities are actual and real. The fulfilment of obligations will cause the outflow of economic benefit from the Company. The amount of liabilities can be measured reliably.

Estimated liabilities are recognized at the most appropriate estimation of obligations by considering relative risks, uncertainties and timing factor etc. If the effect from time value of currency is significant, the most appropriate estimation will be discounted into present value. The Company assesses the book value of estimated liabilities on each balance sheet date and adjustment will be made if there are changes.

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### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 20. Revenue recognition principle

The revenue of the Company is mainly from selling goods and allowing the use by others of company's assets.

The revenue from selling goods shall be realized, when main risks and rewards related to the ownership of goods have been transferred to buyers, and the Company doesn't hold continuing management rights or effective control rights of goods, and the relevant economic benefits may flow into the Company, and the amount of this relevant revenue can be measured reliably.

The revenue from allowing the use by others of company's assets shall be realized, when economic benefits related to transactions may flow into the Company, and the amount of this relevant revenue can be measured reliably.

#### 21. Lease

The Company categorizes the lease into the financial lease and the operating lease.

The financial lease is the lease in which all risks and returns related to the ownership of assets are transferred in substance. The Company as a lease holder, on the date of lease, the financial lease is recognized as the fixed asset at lower cost of fair value of the rental asset and the NPV of minimum payment of leasing. The minimum payment of leasing is recognized as long-term payable and the difference is accounted into unrecognized financing expense.

The operating lease is the lease apart from the financial lease. The Company, as a lease holder, accounts the rents into current period by straight line method during the term of the lease. The Company, as a lessor, accounts the rental income into current period by straight line method during the term of the lease.

#### 22. Government subsidies

A government subsidy of the Company shall be recognized if the Company can meet the conditions for the government subsidy and also can obtain the government subsidy. If a government subsidy is a monetary asset, it is measured in the light of the received or receivable amount. If a government subsidy is a non-monetary asset, it is measured at its fair value. If the fair value of a non-monetary asset cannot be acquired in a reliable way, it is measured at its nominal amount (RMB 1).

The government subsidies pertinent to assets are recognized as deferred revenue, and equally accounted into current period within the useful life. The government subsidies pertinent to incomes are treated respectively in accordance with the indications as follows: (1) Those subsidies used for compensating the related future expenses or losses of the Company are recognized as deferred income and accounted into current period when the relevant expenses are recognized. Or (2) Those subsidies used for compensating the related expenses or losses incurred to the Company are accounted into current period directly.



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### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 23. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are recognized at the differences (taxable temporary differences) between the tax base of an asset or liability and its book value. The Company recognizes the deferred tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to acquire and can be deducted from the deductible temporary difference. On the balance sheet date, deferred tax assets and deferred tax liabilities are measured at applicable tax rate.

The Company recognizes the deferred tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to acquire and can be deducted from the deductible temporary difference. For the deferred tax liabilities which have already been recognized, when there are any evidences showing that the Company is probably incapable of acquiring sufficient amount of taxable income tax in a future period to offset against the deductible temporary difference, the book value of the deferred tax liabilities will be deducted. When it is likely to acquire sufficient amount of taxable income tax, the amount deducted can be reversed.

#### 24. Income tax accounting

The Company recognizes income tax by equity method. The income taxes of the current period and deferred income tax of the Company are treated as income tax expenses or incomes, and are accounted into current period, excluding the income taxes incurred in following circumstances: (1) the business consolidation; and (2) the transactions or events directly recognized as the owner's equity. The income taxes of the current period and deferred income tax related to the transactions or events directly recognized into owners' equity are accounted into owners' equity.

The income tax expenses for the current period are the amount payable to the Tax Office which are calculated and recognized according to the tax law and transactions and events of the current period, i.e. income taxes payable. The deferred income taxes refer to the differences recognized between the amount in the end of period and amount recognized originally of the assets in deferred-income tax and deferrable income-tax debt by the balance sheet liability method.

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### V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 25. Presentation of consolidated financial statements

##### (1) Recognition principles of consolidation scope

The scope of consolidated financial statements of the Company covers all subsidiaries of the parent and the special purpose entities.

##### (2) Accounting methods of consolidated financial statements

The Company's consolidated financial statements have been prepared in accordance with <Accounting Standard for Business Enterprise No.33 – Consolidated Financial Statements>. All material intra-group transactions and balance have been eliminated in full. The parts of subsidiaries' equity non-attributable to parent company are regarded as minority equity listed separately in owners' equity in consolidated financial statements.

Where there are inconsistent accounting policies and accounting period, when preparing the consolidated financial statements, the Company adjusts the subsidiaries' financial statements in accordance with the Company's accounting policies and accounting period.

For the subsidiaries acquired under non-common control, when preparing the consolidated financial statements, the Company adjusts the separate financial statements based on the fair value of identifiable net assets on the purchasing date. For the subsidiaries combined by the Company under common control, the Company regards the subsidiaries as their existence since the beginning of the period, and the assets, liabilities, operation performance and cash flows are consolidated into the financial statements from the beginning of the combination period according to their original book value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### VI. TAXATION

#### 1. Enterprise Income Tax

The Enterprise Income Tax for the Company is 25%.

Tax rates for subsidiaries are as follows:

<b>Company</b>	<b>Tax Rate</b>
Shaanxi Beiren Printing Machinery Co., Ltd.	15%
Beijing Beiren Fuji Printing Machinery Co., Ltd.	12.5%
Haimen Beiren Fuji Printing Machinery Co., Ltd.	25%
Hebei Beiren Paper Feeder Co., Ltd.	25%
Beijing Beiren Yuxin Offset Printing Co., Ltd.	25%
Beijing Beiren Jingyan Printing Machinery Factory	25%

In accordance with Wei Di Shui Fa No.280 (2007), as the subsidiary of the Company, Shaanxi Beiren Printing Machinery Company Limited, will continue to benefit from the Preferential Tax Policy on West China Great Development, and the Enterprise Income Tax is applied on 15%.

In accordance with Guo Shui Zhi Jianmianzi No.0002 (2006), Enterprise Income Tax of Beijing Beiren Fuji Printing Machinery Company Limited is the half of the tax amount calculated on 25%, for the benefit for High New Technology Enterprise.

#### 2. VAT

The value-added tax is applied on sales of goods, further processing of goods, and repairs and supply replacements. The valued-added tax is levied at the rate of 17% on domestic sales of goods.

The input VAT on raw materials purchasing should be written-off against the output VAT, levied at the rate of 17%. The input VAT on exports is refundable.

The VAT payable is the balance of the output VAT after the input VAT in current period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### VI. TAXATION (Continued)

#### 3. Business Tax

The business tax of the Company is levied on the taxable revenue at the rate of 5%.

#### 4. City construction tax and education surcharge

The city construction tax is levied at the rate from 5% to 7% on the net VAT payable and business tax. The education surcharge is levied at the rate from 3% to 4% on the net VAT payable and business tax.

#### 5. Real estate tax

The real estate tax is levied at the rate of 1.2% on the 70% to 80% of the real estates' initial carrying amounts or 12% of rental income of buildings.

### VII. CONSOLIDATION AND CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Major subsidiaries

Unit: 0'000

Company	Registration Location	Registration Nature	Registered Capital	Registered Operating Scope	Investment Amount	Shareholding (%)	Voting Right (%)	Consolidated (Yes/Not)
Shaanxi Beiren Printing Machinery Co., Ltd.	Weinan City, Shaanxi Province	Limited Liability company	11,500	Manufacturing selling and maintaining printing machine, packing machine, engineering machine, and electrical equipments. Relevant fittings manufacture, sale, typesetting and the printing machine production and sale.	9,918.00	86.24	86.24	Yes
Beijing Beiren Fuji Printing Machinery Co., Ltd.	Chaoyang District, Beijing City	Sino-Foreign Equity Joint Venture Enterprise	USD 510	Manufacturing printing machine, selling self-manufactured products	2,963.27	70.00	70.00	Yes
Haimen Beiren Fuji Printing Machinery Co., Ltd.	Haimen City, Jiangsu Province	Limited Liability company	5,100	Manufacture printing machine and relevant fittings	3,484.80	82.54	82.54	Yes
Hebei Beiren Paper Feeder Co., Ltd.	Shijiazhuang City, Hebei Province	Limited Liability company	500	Processing and selling paper providers and relevant fittings	253.40	50.68	50.68	Yes
Beijing Beiren Jingyan Printing Machinery Factory	Yanqing County, Beijing City	Joint stock company	2,105	Manufacturing printing machine and relevant components, providing relevant technical consulting services	2,100.00	99.76	99.76	Yes
Beijing Beiren Yuxin Offset Co., Ltd.	Dongcheng District, Beijing City	Limited Liability company	2,243	Book printing, binding, typesetting and plate making	1,540.00	68.66	68.66	Yes

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### VII. CONSOLIDATION AND CONSOLIDATED FINANCIAL STATEMENTS

#### 2. The change of the scope of consolidated financial statements

Subsidiaries are not presented in consolidated financial statements in reporting period.

Company	Reasons for Non-Consolidation	Shareholding (%)	Total Assets	Total Liabilities	Net Assets	Net Profit
Sheenlite Co., Ltd.	Closing down	100.00	0.00	0.00	0.00	4,596,155.68

### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

For the following disclosed data on financial statements, except for special notes, “the beginning of the year” refers to 1st January, 2008, “the end of the year” refers to 31st December, 2008, “this year” refers to the year from 1st January 2008 to 31st December 2008, “last year” refers to the year from 1st January 2007 to 31st December 2007, the monetary unit is a CHY.

#### 1. Monetary fund

Item	31 Dec 2008			31 Dec 2007		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Cash on hand			92,177.41			56,345.34
Including: RMB	91,493.88		91,493.88	56,345.34		56,345.34
USD	100.00	6.8346	683.53	0.00		0.00
Bank deposit			66,411,332.59			98,596,197.98
Including: RMB	65,427,167.41		65,427,167.41	88,038,094.23		88,038,094.23
USD	127,018.94	6.8346	868,126.07	411,156.66	7.3046	3,003,641.75
HKD	76,174.92	0.8819	67,178.66	8,067,558.73	0.9364	7,554,462.00
YEN	645,875.00	0.0757	48,860.45	0.00		0.00
Other monetary funds			8,280,000.00			9,751,032.12
RMB	8,280,000.00		8,280,000.00	9,751,032.12		9,751,032.12
<b>Total</b>			<b>74,783,510.00</b>			<b>108,403,575.44</b>

(1) Other monetary funds include RMB 2,400,000.00 of pledged bank deposits, RMB 5,332,000.00 of letter deposit and RMB 548,000.00 of letter of credit deposit as at 31st Dec 2008.

(2) The balance in the year end was 31.01% less than the beginning balance of this year, and it is mainly due to the decrease in operating income for the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 2. Notes receivable

(1) Types

Type	31 Dec 2008	31 Dec 2007
Bank acceptance notes	<b>7,830,646.60</b>	36,936,053.79

(2) As of the end of the year, the existing notes receivable have not been pledged or mortgaged.

(3) Notes receivable has been endorsed but not due as of the end of year.

Type	Due period	Amount
Bank acceptance notes	1st, Jan. 2009- 18th, June. 2009	60,088,049.52

(4) As of 31st Dec 2008, RMB 7,500,000.00 of notes receivable has discounted but not due.

(5) The closing balance decreases 78.80% on the opening balance. It is mainly due to the assignment of the notes endorsed and short of monetary funds.

#### 3. Accounts receivable

(1) Aging analysis for accounts receivables

Item	31 Dec 2008			31 Dec 2007		
	Amount	Percent %	Provision for bad debts	Amount	Percent %	Provision for bad debts
Within 1 year	214,113,316.03	55.08	70,000.00	354,370,260.80	73.10	0.00
1 year-2 years	98,701,092.96	25.39	26,397,713.55	56,303,375.42	11.61	11,674,425.68
2 years-3 years	28,117,948.24	7.23	15,918,383.88	36,865,826.78	7.61	20,536,321.90
Over 3 years	47,792,677.25	12.30	47,530,295.93	37,211,014.03	7.68	35,900,563.35
<b>Total</b>	<b>388,725,034.48</b>	<b>100.00</b>	<b>89,916,393.36</b>	<b>484,750,477.03</b>	<b>100.00</b>	<b>68,111,310.93</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 3. Accounts receivable (Continued)

##### (2) Risk classification for accounts receivable

Item	31 Dec 2008				31 Dec 2007			
	Book value		Bad debt		Book value		Bad debt	
	Amount	Percent	Provision for bad debts	Percent	Amount	Percent	Provision for bad debts	Percent
Accounts receivable material in individual amounts	101,861,383.48	26.20	11,117,576.57	12.36	107,120,737.88	22.10	18,513,819.12	27.18
Accounts receivable non-material in individual amounts, but with credit risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other accounts receivable non-material in individual amounts	286,863,651.00	73.80	78,798,816.79	87.64	377,629,739.15	77.90	49,597,491.81	72.82
<b>Total</b>	<b>388,725,034.48</b>	<b>100.00</b>	<b>89,916,393.36</b>	<b>100.00</b>	<b>484,750,477.03</b>	<b>100.00</b>	<b>68,111,310.93</b>	<b>100.00</b>

At the year end, we performed the impairment test on the individual significant receivable amounted up to RMB 101,860,000, of which RMB 68,590,000 did not exist any impairments. And we made the provision of impairments of RMB 11,120,000 for the receivable amounted to RMB 33,270,000 whose collectability was dropping due to its partially long aging amount.

- (3) The Company entered into a number of transactions on factoring of accounts receivable to obtain monetary fund for sale of printing machinery with Shanghai Pudong Development Bank, Beijing Branch. The balance of factoring of accounts receivable was included in short term loans (see Note 17), according to the notice of circulation of the Provisional Requirement on Accounting Treatment for Credit Receivable Financing Activities entered into between Enterprises and Banks or Financial Institutions (Cai Kuai [2003]No.14). As at 31 Dec 2008, the balance of factoring accounts receivable was RMB 62,932,709.69.
- (4) The Company reclaimed the cancelled Creditor's rights for Heilongjiang printing commodity company, the amount of the Creditor's rights is RMB 24,317.51.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 3. Accounts receivable (Continued)

##### (5) The actual amount written-off in the accounts receivable in current year

Company	Nature for the Accounts receivable	Amount Written-off	Bad debt provided	Reason of written-off	Related transaction connected
Chengdu Dingxin packaging Printing Co., Ltd.	Trade receivable	110,000.00	110,000.00	Written-off on Agreement	No
Heilongjiang crystal flower iodized salt Packing Co., Ltd.	Trade receivable	20,000.00	20,000.00	Written-off on Agreement	No
Taizhou Wiley Packing Co., Ltd.	Trade receivable	50,000.00	50,000.00	Written-off on Agreement	No
Shijiazhuang Xinghai Plastic Printing and Packaging Co., Ltd.	Trade receivable	87,000.00	87,000.00	Written-off on Agreement	No
Fujian Jinjiang Kaida Color Printing Ltd.	Trade receivable	130,000.00	130,000.00	Written-off on Agreement	No
Wenzhou Beiren Printing Machinery Sales Ltd.	Trade receivable	28,000.00	28,000.00	Written-off on Agreement	No
Zhejiang Sanxin Printing Materials Limited-longgang branch	Trade receivable	75,000.00	75,000.00	Written-off on Agreement	No
Xinjiang Publishing Group	Trade receivable	49,953.00	49,953.00	Written-off on Agreement	No
<b>Total</b>		<b>549,953.00</b>	<b>549,953.00</b>		

##### (6) The details of the balance of the accounts receivable due from shareholders who hold 5% or more of the Company's shares are as follows:

Company	31 Dec 2008		31 Dec 2007	
	Amount	Bad debts provision	Amount	Bad debts provision
Beiren Group Co.	590,000.00	0.00	1,460,000.00	0.00

##### (7) Top five of accounts receivable of RMB 61,831,673.98; occupies 15.91% of total accounts receivable.

##### (8) Accounts receivable of related parties of RMB 7,465,988.26, takes percentage of 1.92% of total accounts receivable.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 3. Accounts receivable (Continued)

(9) Accounts receivable contains following balances in foreign currencies:

Foreign currency	31 Dec 2008			31 Dec 2007		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange Rate	RMB
USD	217,175.00	6.8346	1,484,304.26	162,454.12	7.3046	1,186,662.36
EURO	0.00		0.00	296,000.00	10.6669	3,157,402.40
<b>Total</b>			<b>1,484,304.26</b>			<b>4,344,064.76</b>

(10) The ending balance of accounts receivable decreases 28.28% than the ending balance of the last year, as a result of the decrease in operating income this year and the enforcement in collection. The ending balance of provision on bad debts increases 32.01% than the ending balance of the last year, mainly because of macro economic influence as well as the credit squeeze, and the performance of downstream printing trade is getting worse and collectability dropped.

#### 4. Prepayment

Item	31 Dec 2008		31 Dec 2007	
	Amounts	Proportion %	Amounts	Proportion %
Within 1 year	25,202,507.09	93.61	30,600,473.49	94.62
1 year-2 years	1,227,762.31	4.56	1,416,457.09	4.38
2 years-3 years	326,565.43	1.21	324,689.07	1.00
Over 3 years	165,133.57	0.62	0.00	0.00
<b>Total</b>	<b>26,921,968.40</b>	<b>100.00</b>	<b>32,341,619.65</b>	<b>100.00</b>

(1) Items whose age is over 1 year are as a result of uncompleted projects or being not accounted by the other side.

(2) In the ending balance, credit amount for the top five debt unit is RMB 3,194,105.52, account for 11.86% of the total prepayment.

(3) For the end balance of prepayments, there are no prepayments from shareholders who hold over 5% (including 5%) of the Company's shares of voting right.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 4. Prepayment (Continued)

(4) The ending balance in foreign currencies of prepayment account is as follow:

Foreign currency	31 Dec 2008			31 Dec 2007		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange Rate	RMB
USD	176,890.92	6.8346	1,208,978.66	367,037.42	7.3046	2,681,061.56
EURO	23,400.00	9.6590	226,020.60	0.00		0.00
<b>Total</b>			<b>1,434,999.26</b>			<b>2,681,061.56</b>

#### 5. Dividend receivable

Company	31 Dec 2007	Increase	Decrease	31 Dec 2008
Beijing Beiyong Casting Co. Ltd..	0.00	113,600.00	113,600.00	0.00
Beijing Monigraf Automations Co. Ltd.	0.00	622,300.00	0.00	622,300.00
<b>Total</b>	<b>0.00</b>	<b>735,900.00</b>	<b>113,600.00</b>	<b>622,300.00</b>
Include: Dividend has not received over a year	0.00			0.00

#### 6. Other receivables

(1) Aging analysis for other receivables

Item	31 Dec 2008			31 Dec 2007		
	Amount	Proportion %	Provision for bad debts	Amount	Proportion %	Provision for bad debts
Within 1 year	26,396,235.40	53.73	1,009,873.13	25,544,234.37	47.85	1,769,000.00
1-2 years	4,269,907.40	8.69	2,207,867.81	1,556,323.30	2.92	214,966.08
2-3 years	918,080.18	1.87	342,397.67	1,848,593.57	3.46	93,323.53
Over 3 years	17,541,712.05	35.71	10,529,387.12	24,433,475.69	45.77	17,384,958.06
<b>Total</b>	<b>49,125,935.03</b>	<b>100.00</b>	<b>14,089,525.73</b>	<b>53,382,626.93</b>	<b>100.00</b>	<b>19,462,247.67</b>

In 2008, part of the prepayment, whose age is more than 3 years and which is unlikely to be collected, is transferred to short-term other receivables, and withdrawn 100% bad debt provision.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 6. Other receivables (Continued)

##### (2) Risk classification for other receivables

Item	31 Dec 2008				31 Dec 2007			
	Book value		Bad debt		Book value		Bad debt	
	Amount	Percent	Provision for bad debts	Percent	Amount	Percent	Amount	Proportion
Other receivables material in amounts	30,064,169.02	61.20	9,088,241.00	64.50	32,971,535.04	61.76	14,088,241.00	72.39
Other receivables non-material in amounts, but with credit risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other receivables with more risk after combination								
Other receivables non-material in amounts	19,061,766.01	38.80	5,001,284.73	35.50	20,411,091.89	38.24	5,374,006.67	27.61
<b>Total</b>	<b>49,125,935.03</b>	<b>100.00</b>	<b>14,089,525.73</b>	<b>100.00</b>	<b>53,382,626.93</b>	<b>100.00</b>	<b>19,462,247.67</b>	<b>100.00</b>

##### (3) The actual amount written-off in the other accounts receivable in current year

Company	Nature for the Other Accounts receivable	Written-off amount	Reasons	Related transaction connected
BaiyinYinpengUrban credit cooperatives (note)	Deposit	5,000,000.00	Debt side unable to pay	No

Note: The accounts receivable from Baiyin Yinpeng Urban Credit Cooperatives is the deposit in the cooperative. As the Baiyin Yinpeng Urban Credit Cooperatives is in the process of liquidation, the deposit is unlikely to be collected. Thereafter, the amount is fully recognized as bad debts. At the year end, referring to its Bankruptcy liquidation report, the bad debts demonstrate as insolvent and the procedure of repayment is ceased and the bad debts are written-off.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 6. Other receivables (Continued)

- (4) For the ending balance of other receivables, there are no prepayments from shareholders who hold over 5% (including 5%) of the Company's shares of voting right.
- (5) Other receivables with significant amount of the ending balance are as follows:

Company	Relation to the Company	Amount	Bad debt	Aging	Percent %
Xi'an Office of Huarong Assets Management Company (Note.1)	minority shareholder for Subsidiary company	6,328,000.00	0.00	Over 3 years	12.88
Southeast Asia (Note.2)	Customer for the Company	9,088,241.00	9,088,241.00	Over 3 years	18.50
Beijing Offset printing Factory (Note.3)	minority shareholder for Subsidiary company	14,647,928.02	0.00	With in 1 year	29.82
<b>Total</b>		<b>30,064,169.02</b>	<b>9,088,241.00</b>		<b>61.20</b>

Note1: The item of Xi'an Office of Huarong Assets Management Company is share redemption funds. According to the article of Shaanxi Beiren Printing Machinery Company Limited, Xi'an Office of Huarong Assets Management Company acquired shares in a debt-share transfer way and share disposal could be in forms of transfer, replacement or redemption. Share redemption should be completed before year 2006 with the same annual share redemption. Xi'an Office of Huarong Assets Management Company acquired shares of RMB15,820,000.00 in a debt-share transfer way with a five-year repurchase period. Xi'an Office of Huarong Assets Management Company totally repurchased RMB6,328,000.00 for year 2003 and 2004, and did not write-off against the investment in Huarong Assets Management Company under the equity withdrawal method.

Note2: The item of Southeast Asia is investment in south-east Asia in previous periods, were accounted in full amount bad debts provision due to the solid difficulty of the collection on the outstanding balance amount.

Note3: Other accounts receivable for Beijing Offset printing Factory is the intercourse fund between Beiren Yuxin and minority subsidiary Beijing Offset printing Factory.

#### (6) The ending balance of accounts receivable from related parties

Company	Relation to the Company	Amount	Proportion (%)
Beijing Monigraf Automations Co. Ltd.	Associated companies	285,000.00	0.58

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 6. Other receivables (Continued)

(7) Other receivables contains following balances in foreign currencies:

Foreign currency	31 Dec 2008			31 Dec 2007		
	Foreign currency	Exchange Rate	Amount (RMB)	Foreign currency	Exchange Rate	Amount (RMB)
HKD	10,305,296.52	0.8819	9,088,241.00	17,881,905.92	0.9364	16,744,616.71

#### 7. Inventory and the impairment provision

(1) Categories of inventories

Item	31 Dec 2008	31 Dec 2007
Materials in transit	0.00	135,000.00
Raw materials	91,888,198.80	109,665,760.40
Work in progress	393,023,499.61	399,918,879.85
storage goods	274,634,849.56	217,199,286.48
Low value consumables	2,318,319.29	1,895,912.53
Self made semi-finished goods	16,870,894.77	17,824,229.81
Work in process-outsourced	2,709,605.85	2,372,878.39
<b>Total</b>	<b>781,445,367.88</b>	<b>749,011,947.46</b>

(2) Impairment provision for inventory

Item	31 Dec 2007	Increase	Reduces in Period		31 Dec 2008
			Reversal	Transferred out	
Raw materials	1,856,895.97	1,165,178.04	0.00	0.00	3,022,074.01
Work in progress	29,122,600.39	32,733,197.69	0.00	9,157,078.91	52,698,719.17
storage goods	34,696,872.60	38,285,412.55	0.00	7,091,817.38	65,890,467.77
Self made semi-finished goods	0.00	329,265.24	0.00	0.00	329,265.24
<b>Total</b>	<b>65,676,368.96</b>	<b>72,513,053.52</b>	<b>0.00</b>	<b>16,248,896.29</b>	<b>121,940,526.19</b>

At the end of 2008, the Company performed impairment test for the inventory. The allowance is about 72,510,000.00 and the amount of the transferred out is the corresponding cancellation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 7. Inventory and the impairment provision *(Continued)*

- (3) For provision policy, see Notes 5 (8).
- (4) The closing balance of the original value of inventory increased 4.33% over opening balance and the closing balance of the net value of inventory decreased 3.49% than the opening balance, as a result of the change of market and the decrease of sales amount this year. Although the production schedule slowed down in the year, there was no significant decrease in the inventory due to the manufacturing profession's inertia. The decrease in production volume leads to the increase in the product unit cost. Affected by the market, the sales volume and price would decrease in the expected future. The returned goods and non-standard market value would decrease and the expected selling price would decrease as well.
- (5) No inventory has been mortgaged or frozen at the year end.

#### 8. Long-term equity investments

##### (1) Long-term equity investments

Item	31 Dec 2008	31 Dec 2007
Accounted in cost method	50,000.00	50,000.00
Accounted in equity method	14,478,492.90	24,191,198.13
Total	14,528,492.90	24,241,198.13
Less: provision for impairment on long-term equity investments	50,000.00	50,000.00
Net book value	14,478,492.90	24,191,198.13

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Long-term equity investments (Continued)

##### (2) Accounted in cost and equity method

Name of invested Companies	Share		Original amounts	31 Dec 2007	Increase	Decrease	Cash dividends	
	holding %	Voting right %					30 Dec 2008	for the year
In cost method								
Ying Shen Associated								
Co., Ltd			50,000.00	50,000.00	0.00	0.00	50,000.00	0.00
Sub-total			50,000.00	50,000.00	0.00	0.00	50,000.00	0.00
In equity method								
Beijing Monigraf								
Automations Co. Ltd.	49%	49%	3,675,000.00	8,593,334.71	823,857.05	622,300.00	8,794,891.76	622,300.00
Beijing Beiyong Moulding								
Co., Ltd	20%	20%	1,136,000.00	4,854,455.50	942,745.64	113,600.00	5,683,601.14	113,600.00
Beijing Mitsubishi Heavy								
Industries Beiren Printing								
Machinery Co., Ltd	49%	49%	22,540,000.00	10,743,407.92	0.00	10,743,407.92	0.00	0.00
Sub-total			27,351,000.00	24,191,198.13	1,766,602.69	11,479,307.92	14,478,492.90	735,900.00
<b>Total</b>				<b>24,241,198.13</b>	<b>1,766,602.69</b>	<b>11,479,307.92</b>	<b>14,528,492.90</b>	<b>735,900.00</b>

According to the first meeting of board of directors of Beijing Monigraf Automations Company Limited as the association of the Company in 2008, Beijing Monigraf transferred RMB 7,500,000 of undistributed profit from year 2004 to 2006 into the capital. Therefore, the registered capital increases from RMB 7,500,000 to RMB 15,000,000, so that there is an increase of RMB 3,675,000 in the investment of capital for the Company based on the proportion of equity investments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 8. Long-term equity investments (Continued)

##### (3) Associations

Company	Registered Location	Nature of Business	Share holding	Voting Right	End balance	Total	
					of total Net Assets	Operating Income	Net Profit
Beijing Monigraf Automations Co. Ltd.	Beijing City	Develop, manufacture and sell automations of printing machines, provide relevant installation, repairs and consulting services	49%	49%	17,948,758.69	21,344,785.31	1,681,340.92
Beijing Beiyong Casting Co. Ltd.	Beijing City	Manufacture and sell parts, manufacture castings and models, develop and transfer technology, provide consulting services	20%	20%	28,418,005.66	118,700,589.69	4,713,728.18
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Beijing City	Manufacture and sell printing machines, provide relevant consulting services	49%	49%	-22,773,668.65	63,978,907.87	-41,273,955.64
<b>Total</b>					<b>23,593,095.70</b>	<b>204,024,282.87</b>	<b>-34,878,886.54</b>

##### (4) Provision for impairment on long-term equity investments

Company	31 Dec 2007	Provision	Reduces in Period		31 Dec 2008
			Reversal	Transferred out	
Ying Shen Associated Company Limit	50,000.00	0.00	0.00	0.00	<b>50,000.00</b>

The Company's subsidiary Shaanxi Beiren Printing Machinery Company Limited invested RMB 50,000.00 into Ying Shen Associated Company Limited. The investment is unlikely to be collected so the provision for bad debts was provided fully.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 9. Investment properties

##### Accounted in cost methods

Item	31 Dec 2007	Increase	Decrease	31 Dec 2008
<b>Original cost</b>				
Buildings	23,411,212.70	0.00	365,023.00	<b>23,046,189.70</b>
<b>Accumulated depreciation</b>				
Buildings	6,414,275.90	829,717.58	0.00	<b>7,243,993.48</b>
<b>Impairment provision</b>				
Buildings	0.00	0.00	0.00	<b>0.00</b>
<b>Book value</b>				
Buildings	16,996,936.80			<b>15,802,196.22</b>

#### 10. Non-current assets

##### (1) Non-current assets list

Item	31 Dec 2007	Increase	Decrease	31 Dec 2008
<b>Original Cost</b>	1,206,920,759.28	23,626,975.28	24,046,221.77	<b>1,206,501,512.79</b>
Building	582,094,413.61	5,766,454.47	5,919,262.81	<b>581,941,605.27</b>
Machinery	539,777,497.07	13,969,060.30	9,226,296.46	<b>544,520,260.91</b>
Transportation facilities	19,971,133.66	2,542,512.20	2,849,960.36	<b>19,663,685.50</b>
Office equipment	59,363,355.61	704,485.08	6,045,088.70	<b>54,022,751.99</b>
Others	5,714,359.33	644,463.23	5,613.44	<b>6,353,209.12</b>
<b>Accumulated depreciation</b>	481,772,988.97	47,761,599.08	15,704,706.85	<b>513,829,881.20</b>
Building	85,758,902.74	17,989,544.57	296,777.22	<b>103,451,670.09</b>
Machinery	338,875,444.67	24,110,676.87	7,709,481.95	<b>355,276,639.59</b>
Transportation facilities	11,445,395.89	1,696,394.26	2,507,080.29	<b>10,634,709.86</b>
Office equipment	44,238,291.59	3,383,181.78	5,186,315.29	<b>42,435,158.08</b>
Others	1,454,954.08	581,801.60	5,052.10	<b>2,031,703.58</b>
<b>Impairment provision</b>	20,868,981.71	0.00	0.00	<b>20,868,981.71</b>
Building	0.00	0.00	0.00	<b>0.00</b>
Machinery	20,753,981.71	0.00	0.00	<b>20,753,981.71</b>
Transportation facilities	115,000.00	0.00	0.00	<b>115,000.00</b>
Office equipment	0.00	0.00	0.00	<b>0.00</b>
Others	0.00	0.00	0.00	<b>0.00</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 10. Non-current assets (Continued)

##### (1) Non-current assets list (Continued)

Item	31 Dec 2007	Increase	Decrease	31 Dec 2008
<b>Net book value</b>	704,278,788.60			<b>671,802,649.88</b>
Building	496,335,510.87			<b>478,489,935.18</b>
Machinery	180,148,070.69			<b>168,489,639.61</b>
Transportation facilities	8,410,737.77			<b>8,913,975.64</b>
Office equipment	15,125,064.02			<b>11,587,593.91</b>
Others	4,259,405.25			<b>4,321,505.54</b>

RMB 16,403,882.33 transferred from construction in progress which made the increase of Fixed assets

- (2) There are no idle fixed assets for the current year.
- (3) The subsidiary Shaanxi Beiren Printing Machinery Company Limited had no land certificate for the land usage right with net book value of RMB717,118.00, for it was granted by government in system reformation.
- (4) Some of buildings and machinery with original cost of RMB165,729,425.87 and net book value of RMB114,209,671.79 were pledged to bank for short-term loans.
- (5) The Company disposed some fixed assets with original value of RMB 24,046,221.77 and net book value of RMB 8,341,514.92, which resulted in a disposal profit of RMB 3,323,331.50.

#### 11. Construction in progress

##### (1) Construction in progress list

Name	Budget	31 Dec 2007	Increase	Transferred		31 Dec 2008	Source of Funds	Construction Investment In Budget
				Into Non-Current Assets	Other Deductions			
Construction Equipments in installation	181,085,871.00	578,927.24	5,063,768.49	5,601,157.73	0.00	41,538.00	Equity fund	91.50%
Others	28,466,300.00	9,277,243.90	3,282,109.12	10,303,022.62	0.00	2,256,330.40	Equity fund	83.00%
Others	430,000.00	1,507,637.73	417,451.98	499,701.98	0.00	1,425,387.73	Equity fund	97.00%
<b>Total</b>	<b>209,982,171.00</b>	<b>11,363,808.87</b>	<b>8,763,329.59</b>	<b>16,403,882.33</b>	<b>0.00</b>	<b>3,723,256.13</b>		

Including: capitalised borrowing expenses

1,257,109.20

0.00

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 11. Construction in progress (Continued)

- (2) The ending balance of Construction in Process decreased 67.24% than the ending balance of the last year, due to the transfer from construction in process into fixed assets.

#### 12. Intangible assets

##### (1) Intangible assets

Item	31 Dec 2007	Increase	Decrease	31 Dec 2008
<b>Original Cost</b>	151,421,523.36	80,000.00	2,073,373.20	<b>149,428,150.16</b>
Land usage right	147,086,043.77	80,000.00	0.00	<b>147,166,043.77</b>
Non-patent technology	3,676,709.59	0.00	2,073,373.20	<b>1,603,336.39</b>
Software	658,770.00	0.00	0.00	<b>658,770.00</b>
<b>Accumulated depreciation</b>	18,042,217.12	3,523,932.79	1,693,254.42	<b>19,872,895.49</b>
Land usage right	15,156,088.73	2,893,602.37	0.00	<b>18,049,691.10</b>
Non-patent technology	2,570,098.39	530,742.42	1,693,254.42	<b>1,407,586.39</b>
Software	316,030.00	99,588.00	0.00	<b>415,618.00</b>
<b>Impairment provision</b>	0.00	0.00	0.00	<b>0.00</b>
Land usage right	0.00	0.00	0.00	<b>0.00</b>
Non-patent technology	0.00	0.00	0.00	<b>0.00</b>
Software	0.00	0.00	0.00	<b>0.00</b>
<b>Book value</b>	133,379,306.24			<b>129,555,254.67</b>
Land usage right	131,929,955.04			<b>129,116,352.67</b>
Non-patent technology	1,106,611.20			<b>195,750.00</b>
Software	342,740.00			<b>243,152.00</b>

Some of land usage right with original cost of RMB23,462,148.00 and net book value of RMB21,951,009.19 were pledged to bank for short-term loans.

- (2) As at 31 Dec 2008, the Company has not obtained land usage rights certificates for 92.126 acreages of land acquired by it and located in Da Xing District in Beijing.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 13. Long-term accrued expense

Items	31 Dec 2008	31 Dec 2007
Land development expense	<b>11,996,291.10</b>	12,062,291.10

The land developing expense is accrued when the Company reorganized into the joint stock company. The expense was invested as valued amount by Beiren.

#### 14. Deferred tax asset

##### (1) Recognized Deferred tax asset

Item	31 Dec 2008	31 Dec 2007
Deductible temporary difference in deferred tax assets	<b>8,651,704.59</b>	2,967,876.81
<b>Total</b>	<b>8,651,704.59</b>	<b>2,967,876.81</b>

##### (2) Recognized temporary difference in deferred tax assets at the end balance

Deductible temporary difference	31 Dec 2008	31 Dec 2007
Provision for bad debts	<b>14,776,828.27</b>	9,122,729.81
Provision for diminution in value of inventories	<b>27,493,584.57</b>	11,706,846.44
Impairment provision of long-term equity investment	<b>50,000.00</b>	50,000.00
Depreciation & Impairment of non-current assets	<b>629,717.71</b>	645,960.80
Employee Compensation Payable	<b>1,101,012.12</b>	0.00
Accrued Expenses	<b>0.00</b>	280,000.00
<b>Total</b>	<b>44,051,142.67</b>	<b>21,805,537.05</b>

(3) At the end of the year, deferred tax assets increased 191.51%, is mainly due to its subsidiary company Shaanxi Beiren Printing Machinery Company Limited and the Beijing Beiren Fuji Printing Machinery Company Limited. Deferred tax assets should be recognized according to the difference between taxable base and its book value (temporary difference).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 15. Assets depreciation preparation list

Item	31 Dec 2007	Increase	Decrease		31 Dec 2008
			Returning	Other transfers out	
Provision of impairment for Bad debts	87,573,558.60	23,996,316.91	0.00	7,563,956.42	<b>104,005,919.09</b>
Provision of impairment for Inventory	65,676,368.96	72,513,053.52	0.00	16,248,896.29	<b>121,940,526.19</b>
Provision of impairment for long-term equity investment	50,000.00	0.00	0.00	0.00	<b>50,000.00</b>
Provision of impairment for Investment properties	0.00	0.00	0.00	0.00	<b>0.00</b>
Provision of impairment for Fixed Assets	20,868,981.71	0.00	0.00	0.00	<b>20,868,981.71</b>
Provision of impairment for Project commodity	0.00	0.00	0.00	0.00	<b>0.00</b>
Provision of impairment for constructions in process	0.00	0.00	0.00	0.00	<b>0.00</b>
Provision of impairment for Intangible assets	0.00	0.00	0.00	0.00	<b>0.00</b>
<b>Total</b>	<b>174,168,909.27</b>	<b>96,509,370.43</b>	<b>0.00</b>	<b>23,812,852.71</b>	<b>246,865,426.99</b>

Other transferred-outs from provision of bad debt of account receivables, are arising from the corresponding written-off of account receivables.

#### 16. Short-term loans

##### (1) Listed as currency

Currency	31 Dec 2008	31 Dec 2007
CHY	<b>360,692,750.00</b>	365,079,750.00

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 16. Short-term loans *(Continued)*

##### (2) Listed as loan category

<b>Type</b>	<b>31 Dec 2008</b>	31 Dec 2007
Credit bank loans	<b>180,000,000.00</b>	225,000,000.00
Mortgaged bank loans	<b>116,950,000.00</b>	55,650,000.00
Guaranteed bank loans	<b>21,000,000.00</b>	22,750,000.00
Pledged bank loans	<b>42,742,750.00</b>	61,679,750.00
<b>Total</b>	<b>360,692,750.00</b>	<b>365,079,750.00</b>

Note 1: The mortgage of mortgaged bank loans are including: fixed assets with the net value of RMB 114,209,671.79, and land usage right with the net value of RMB 21,951,009.19

Note 2: Credit loan contains the loan with amount of RMB 85,000,000 and RMB 50,000,000 (135,000,000 in total), provides by Beijing Bank Jinyun sub-branch. The transaction is entrusted by Beijing national capital mechanical and electrical holding company. The deadline of the loan is one year and one half year, the interest rate is 6.723% and 5.913% respectively.

Note 3: Pledged loans were the account receivable with recourse transferred/discouted by the Company to financing institutions. As at 31 Dec 2008, the outstanding short term pledged bank loans under the said contracts on factoring of account receivables amounted to RMB 42,742,750.00.

#### 17. Notes payable

<b>Type of Loan</b>	<b>31 Dec 2008</b>	31 Dec 2007
Bank Acceptance	<b>8,000,000.00</b>	43,674,009.30

The balance at 31 Dec 2008 was decreased by 81.68% compared with the balance at 31 Dec 2007, because of being tighten in monetary policy of bank.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 18. Accounts payable

##### (1) Accounts Payable

Item	31 Dec 2008	31 Dec 2007
<b>Total</b>	<b>405,817,379.06</b>	345,116,144.28
Including: over one year	<b>88,517,003.08</b>	42,095,204.84

- (2) At the end of the reporting period, the accounts payable to Research Institution of People's Bank of China was RMB 1,052,142.40. This amount was arising from the cooperation between the Company and the Research Institution of People's Bank of China to manufacture currency machine in which Research Institution of People's Bank of China provided the patent technology. This item was stopped by unable to continue to cooperate. So the account payables were the fees of using the patent and were not close up yet.

##### (3) Accounts payable to shareholders who hold 5% or more of the share capital of the Company:

Name of the Company	31 Dec 2008	30 Dec 2007
Beiren Group Corporation	<b>2,318,780.11</b>	3,210,025.91

##### (4) Account payable contains following balances in foreign currencies

Foreign Currency	31 Dec 2008			31 Dec 2007		
	Currency	Exchange rate	RMB	Currency	Exchange rate	RMB
YEN	380,400.00	0.7565	28,777.26	0.00		0.00

#### 19. Receipts in advance

##### (1) Receipts in advance

Item	31 Dec 2008	31 Dec 2007
<b>Total</b>	<b>60,111,842.44</b>	77,570,563.28
Including: more than one year	<b>9,624,362.86</b>	7,538,446.11

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 19. Advance receipts (Continued)

- (2) Receipts in advance which is more than one year are the contract not yet finished and the corresponding product not yet delivered.
- (3) In the current period, the ending balance of receipts in advance does not include any advances from shareholder with over 5% (incl. 5%) voting right.
- (4) The balance of the advanced payment in foreign currency:

Foreign Currency	31 Dec 2008			31 Dec 2007		
	Original currency	Convert rate	RMB	Original currency	Convert rate	RMB
USD	288,890.63	6.8346	1,974,451.89	669,693.57	7.3046	4,891,843.65

#### 20. Employee compensation

Item	31 Dec 2007	Increase	Decrease	31 Dec 2008
Salary (includes bonus, allowance and subsidy)	120,000.00	117,490,890.92	116,970,316.92	640,574.00
Employees welfares' fee	0.00	8,467,175.07	8,467,175.07	0.00
Social insurance fee	14,353,675.61	45,946,271.41	42,700,971.60	17,598,975.42
Including:				
1.medicial insurance fee	7,493,510.56	14,708,788.04	13,925,681.38	8,276,617.22
2.basic endowment insurance fee	6,385,097.11	27,467,908.68	25,112,773.36	8,740,232.43
3.unemploymet insurance	304,510.18	2,040,883.42	1,884,070.77	461,322.83
4.working injury insurance	94,911.04	1,004,557.56	1,032,045.69	67,422.91
5.maternity insurance	75,646.72	724,133.71	746,400.04	53,380.03
Housing fund	1,122,920.45	10,690,608.13	10,287,794.80	1,525,733.78
Labour union fee and employees' education fee	2,598,453.90	4,595,253.26	5,371,427.71	1,822,279.45
Non monetary welfare	0.00	13,689,893.45	13,689,893.45	0.00
Compensation on cease of employment contract	0.00	5,408,384.86	3,447,693.86	1,960,691.00
Expected Expenses Arsing from Internal Retirement	35,283,351.12	18,648,452.82	10,615,122.34	43,316,681.60
Others	346,087.55	5,229,475.89	5,400,135.03	175,428.41
<b>Total</b>	<b>53,824,488.63</b>	<b>230,166,405.81</b>	<b>216,950,530.78</b>	<b>67,040,363.66</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 21. Tax payable

Tax category	Tax rate	31 Dec 2008	31 Dec 2007
Value added tax	17%	-588,430.72	2,946,268.86
Business tax	5%	139,000.81	213,176.17
City maintenance and constructed tax	5% 7%	298,222.74	420,411.03
Enterprise income tax		3,203,892.79	-2,006,342.96
Individual tax		581,652.40	1,295,156.80
House property tax		27,310.50	21,628.08
Land usage tax		667,002.77	123,430.00
Stamp tax		53,335.30	49,335.04
Education surcharge	3% 4%	56,109.48	122,027.94
Water conservancy fund		440,104.21	272,168.98
<b>Total</b>		<b>4,878,200.28</b>	<b>3,457,259.94</b>

#### 22. Other payables

##### (1) Other payables

Item	31 Dec 2008	31 Dec 2007
<b>Total</b>	<b>63,945,480.53</b>	56,569,045.82
Include: more than one year	<b>32,873,483.81</b>	25,626,577.09

##### (2) Other payables from shareholders who hold 5% or more of the Company's share at the year end are as follow:

Items	31 Dec 2008	31 Dec 2007
Beiren Group Corporation	<b>12,365,033.14</b>	12,366,324.25

##### (3) Other payables in large amount at the end balance

Items	Note	Amount	Aging	Quality or content
Beiren Group Corporation	1	12,365,033.14	More than 3 years	Purchase price
Beijing Beiyong Casting Company Limited	2	9,330,922.61	1 to 2 years	Remise price
<b>Total</b>		<b>21,695,955.75</b>		

Note 1: The payable to Beiren Group Corporation is the purchase payment on the merge with No. 4 Print Machine Factory which belongs to Beiren Group Corporation;

Note 2: The payable to Beijing Beiyong Casting Co. Ltd. (Beiyong Zhuzao) is the public land remise fund of affiliated company. As of 31 Dec 2008, the Company has not got the certificate of land usage right in Daxing, Beijing, which is 92.126 units of area.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 23. Non-current liabilities within one year

Item	31 Dec 2008	31 Dec 2007
Accounts payable within 1 year	<b>29,550,000.00</b>	29,550,000.00

When the subsidiary company Beijing Beiren Yuxin Offset Printing Company Limited was set up, the minority shareholder Beijing Offset Point Factory invested some of its asset into the Company as long term investment in Dec 2001, which including long term loan for RMB 18,450,000.00, short term loan for RMB 11,100,000.00. Beijing Beiren Yuxin Offset Printing Company Limited and Beijing Offset Point Factory came to an agreement in 2002, the Beijing Offset Point Factory should pay the capital and interest to the bank, Beiren Yuxin Offset Printing Company Limited should repay this money to Beijing offset point factory in the future years.

#### 24. Long-term loan

##### (1) Show for different currency:

Currency	31 Dec 2008	31 Dec 2007
RMB	<b>27,000,000.00</b>	29,000,000.00

##### (2) Show for loan condition:

Loan category	31 Dec 2008	31 Dec 2007
Guaranteed loan	<b>27,000,000.00</b>	29,000,000.00

#### 25. Account payable for special Item

Item	31 Dec 2007	Increase	Carry forward	31 Dec 2008
Special research and development fund	0.00	4,078,638.33	0.00	<b>4,078,638.33</b>

The Company and Beijing Jingcheng Machinery Electronic Holdings Company Limited signed "national capital holding strategy product and the technical research and development project funds support contract" on December 17, 2008. A financial support of RMB 5,000,000 has been given to this company to carry on the medium newspaper printing machine core unit technology and half-way commercial product project. The Company in, will return the fund to the national capital holding on November 30, 2011 and November 30, 2012 with the amount of RMB 1,500,000 and RMB 3,500,000 respectively. Enjoys the patented claim by this company, both sides can implement the patent for free. In order to manifest the time value for the current market, the total amount of current value from different phases is used to recognized the book value of the Account payable for special Item. Loan datum interest rate of 3 year time (5.4%) and 5 year time (5.76%) are used as discount rate.

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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 26. Estimated liabilities

Item	31 Dec 2007	Increase	Carry forward	31 Dec 2008	Note
Employee Compensation for Dismissal	266,891.98	0.00	0.00	266,891.98	Compensation

#### 27. Share Capital

Shareholder's Name/Regimentation	31 Dec 2007		Current changes					31 Dec 2008	
	Amount	Ratio(%)	Issue new stock	accumulation			Subtotal	Amount	Ratio(%)
				Gifts share	funds to equity	Others			
Conditioning Stock									
State-owned Holdings	201,540.00	47.76	0.00	0.00	0.00	-21,100.00	-21,100.00	180,440.00	42.76
Subtotal	201,540.00	47.76	0.00	0.00	0.00	-21,100.00	-21,100.00	180,440.00	42.76
Un-conditioning Stock									
Common Stock(RMB)	120,460.00	28.55	0.00	0.00	0.00	21,100.00	0.00	141,560.00	33.55
Stock listed over-sea	100,000.00	23.69	0.00	0.00	0.00	0.00	0.00	100,000.00	23.69
Subtotal	220,460.00	52.24	0.00	0.00	0.00	21,100.00	0.00	241,560.00	57.24
Total	422,000.00	100.00	0.00	0.00	0.00	0.00	0.00	422,000.00	100.00

As at 31 Dec 2008, the amounts of the IPO stocks are 21,100,000 shares.

#### Guaranteed market listing time for the conditioning stock:

In RMB '000

Time	New shares can be issued from the conditioning stocks at maturity	Balance of conditioning stocks	Balance of Un-conditioning stocks
31 Mar 2009	180,440,000	0.00	422,000,000

#### 28. Capital Reserve

Item	31 Dec 2007	Increase	Decrease	31 Dec 2008
Capital premium	517,305,478.93	0.00	0.00	517,305,478.93
Other capital reverse	5,714,792.13	0.00	0.00	5,714,792.13
Total	523,020,271.06	0.00	0.00	523,020,271.06

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 29. Surplus Reserve

Item	31 Dec 2007	Increase	Decrease	31 Dec 2008
Statutory surplus reserve	198,928,288.88	0.00	0.00	<b>198,928,288.88</b>

#### 30. Undistributed Profits

Item	Amount	Ratio(%)
<b>Undistributed Profits at The Last Year End</b>	<b>16,060,153.67</b>	
Add: adjustment of undistributed profits at the year beginning	0.00	
Including: adjustments from changes in accounting policies	0.00	
adjustments from corrections for previous errors	0.00	
adjustments from consolidation under the common control	0.00	
other adjustments	0.00	
<b>Undistributed Profits at The Year Beginning</b>	<b>16,060,153.67</b>	
Add: net profit this year	-263,141,611.27	
Less: provision on statutory surplus fund	0.00	10
provision on arbitrary surplus fund	0.00	
distribution of ordinary share's dividend	0.00	
transferred to share capital of ordinary shares dividend	0.00	
<b>Undistributed Profits at The Year End</b>	<b>-247,081,457.60</b>	
Including:Planned Cash Dividend	0.00	

#### 31. Minority Interest

Name Of Subsidiary	Proportion Of Minority Interest	31 Dec 2008	31 Dec 2007
Haimen Beiren Fuji Printing Machinery Co., Ltd.	17.46%	<b>1,937,306.09</b>	2,613,193.99
Beijing Beiren Fuji Printing Machinery Co., Ltd.	30.00%	<b>12,437,376.64</b>	16,683,101.42
Hebei Beiren Paper Feeder Co., Ltd.	49.32%	<b>0.00</b>	948,327.24
Beijing Beiren Jingyan Printing Machinery Factory	0.24%	<b>38,131.70</b>	40,380.30
Beijing Beiren Yuxin Offset Printing Co., Ltd.	31.34%	<b>1,849,104.36</b>	7,972,355.60
Shaanxi Beiren Printing Machinery Co., Ltd.	13.76%	<b>9,697,559.42</b>	17,388,920.88
<b>Total</b>		<b>25,959,478.21</b>	<b>45,646,279.43</b>

This year, the Company's subsidiary, Hebei Beiren Paper Feeder Company Limited is insolvent with an over loss of RMB 769,190.15, and excluded from the consolidation of financial statements.

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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 32. Operating Income and Operating Costs

##### 1) Operating income

Items	Jan-Dec 2008	Jan-Dec 2007
Main operating income	<b>741,666,216.00</b>	1,058,902,169.40
Other operating income	<b>17,384,569.96</b>	12,607,585.16
Total	<b>759,050,785.96</b>	1,071,509,754.56
Main operating costs	<b>673,414,805.28</b>	817,674,429.24
Other operating costs	<b>12,028,018.65</b>	7,102,409.61
<b>Total</b>	<b>685,442,823.93</b>	<b>824,776,838.85</b>

##### 2) Main operating income and costs (classified as different products and operation)

Item	Jan-Dec 2008		Jan-Dec 2007	
	Operating Income	Operating Costs	Operating Income	Operating Costs
Sales of hectograph machine	<b>438,356,363.12</b>	<b>374,172,896.98</b>	777,599,387.29	610,222,548.61
Sales of intaglio printing machine	<b>206,252,498.91</b>	<b>185,703,111.91</b>	187,231,584.48	137,225,432.46
Sales of form machinery	<b>43,715,971.81</b>	<b>38,690,163.02</b>	42,620,013.72	33,383,842.07
Sales of prepared product	<b>16,792,238.49</b>	<b>27,685,322.05</b>	24,780,431.69	17,004,137.37
others	<b>36,549,143.67</b>	<b>47,163,311.32</b>	26,670,752.22	19,838,468.73
<b>Total</b>	<b>741,666,216.00</b>	<b>673,414,805.28</b>	<b>1,058,902,169.40</b>	<b>817,674,429.24</b>

3) The total sales income of the Company's top five clients is RMB 90,701,709.40, accounted 12.23% of the year total income.

4) This year operating income decreased 29.96% than the same period of last year. This year operating cost decreased 17.64% than the same period of last year. This year gross margin is 9.20%, last year gross margin was 22.78%. The main reasons of the gross margin decreasing are: 1) By the printing industry downturn and the impact of macroeconomic slide, this year demand reduced sharply. Prices in the short term can not be floating, or there even was a trend to be lower. 2) Producing material price increased and labour cost, working in process-out resourced, energy power cost went up, production declined and fixed-cost sharing rose.

5) There was loss of selling spare parts, and the main loss arised from the processing components for the joint venture company Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd. (hereinafter referred to Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.). The Company has processed parts for Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd. since 2007, so it is still running-in stage. Because of the lack of a dedicated machine tools, skilled workers inexperienced, low productivity, high rejection rate, raw material price increased and initial tooling instrument bought in 2008, caused a loss of situation for Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd. processing components.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 33. Business Tax

Items	Tax rate (%)	Jan-Dec 2008	Jan-Dec 2007
Business tax	5	465,874.36	529,443.73
City construction tax	5-7	1,787,675.64	3,810,652.00
Education surcharge	3-4	781,389.00	1,693,961.71
<b>Total</b>		<b>3,034,939.00</b>	6,034,057.44

#### 34. Financial Expenses

Item	Jan-Dec 2008	Jan-Dec 2007
Interest payment	24,644,588.39	19,150,769.50
less: Interest income	726,169.74	1,184,420.59
Add: exchange loss	226,894.17	1,674,391.09
Add: other payment	1,523,010.01	820,220.39
<b>Total</b>	<b>25,668,322.83</b>	<b>20,460,960.39</b>

The Financial Expenses increased 25.45% than the same period of last year. The main reason is Interest rates on bank loans increased.

#### 35. Impairment losses

Item	Jan-Dec 2008	Jan-Dec 2007
Bad debt loss	23,971,999.40	9,424,435.70
Impairment loss on inventory	72,513,053.52	5,280,038.35
Impairment of fixed assets	0.00	520,478.75
<b>Total</b>	<b>96,485,052.92</b>	<b>15,224,952.80</b>

- (1) The debt was collected of RMB 24,317.51 from Printing Materials Company of Heilong Jiang Province. The debt had been written off pervious years, and revised the previous year's provision of bad debts.
- (2) The impairment loss of current year is increased 533.73% than the last year. Please refer to VIII.3 and VIII.7.

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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 36. Investment income

##### (1) Resource of investment income

Item	Jan-Dec 2008	Jan-Dec 2007
Equity method of accounting for long-term equity investment income	<b>-8,976,805.23</b>	-6,489,946.09
Disposal of long-term equity investments generated investment income	<b>0.00</b>	1,407,134.38
<b>Total</b>	<b>-8,976,805.23</b>	<b>-5,082,811.71</b>

##### (2) Equity method of accounting for long-term equity investment income

Item	Jan-Dec 2008	Jan-Dec 2007	Reason of changes
Total	<b>-8,976,805.23</b>	-6,489,946.09	
including:			
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	<b>-10,743,407.92</b>	-8,207,035.79	Loss increased

#### 37. Non-Operating Income

##### (1) Non-Operating Income

Item	Jan-Dec 2008	Jan-Dec 2007
Gains from non-currency capital disposal	<b>3,927,784.51</b>	4,268,332.66
Gains from fixed assets	<b>3,922,801.57</b>	4,268,332.66
Government subsidy	<b>731,656.58</b>	2,944,934.17
Gains from count	<b>3,280.00</b>	0.00
Other	<b>3,536,368.66</b>	6,821,784.38
<b>Total</b>	<b>8,199,089.75</b>	<b>14,035,051.21</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 37. Non-Operating Income (Continued)

(2) The government subsidies in this year are show below:

Item	Jan-Dec 2008	Jan-Dec 2007	Resouce and basis
1. Financial assistance funds	0.00	580,000.00	
2. Foreign trade and economic development grant funds to facilitate investment projects	0.00	120,000.00	
3. Automatization high speed multicolour soft packing print machine development fund	400,000.00	600,000.00	Shaanxi Provincial Department of Finance Office of the Shaanxi enterprises [2007] No. 23 document
4. The development of high-grade Flexo presses transformation projects discount	104,106.58	958,934.17	Shaanxi Provincial Development and Investment Office [2006] No.1278 document
5. AZJ80820A unit-type high-grade packets printing press machine	0.00	500,000.00	
6. High-grade gravure Printing Machine research and development	0.00	186,000.00	
7. Market development item subsidy	95,000.00	0.00	Weinan Municipal Commerce Bureau
8. Integrative control device of photo-electricity collimation concavity printing and gearing machinery unit	132,550.00	0.00	Shaanxi Provincia [2007] No. 61 document
<b>Total</b>	<b>731,656.58</b>	<b>2,944,934.17</b>	

Other items mainly were liquidated damages penalty of the Company and the subsidiary RMB1,604,100, the Company's deferred income was RMB656,800.

(3) The non-operating income decreased 41.58% than the same period of last year. The main reason is decreases in the government subsidies, deferred income and liquidated damages penalty.

#### 38. Non-Operating Expenses

Item	Jan-Dec 2008	Jan-Dec 2007
Loss from non-currency asset disposal	604,453.01	321,466.32
Loss from fixed assets	604,453.01	321,466.32
Paid-out donation on public welfare	180,000.00	50,000.00
other	1,060,118.81	631,966.47
<b>Total</b>	<b>1,844,571.82</b>	<b>1,003,432.79</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 39. Income Tax Expense

Item	Jan-Dec 2008	Jan-Dec 2007
Income tax for current year	<b>105,403.78</b>	897,720.10
Deferred tax expenses	<b>-5,683,827.78</b>	-28,353.46
<b>Total</b>	<b>-5,578,424.00</b>	<b>869,366.64</b>

#### 40. The calculating procedure of basic EPS and diluted EPS

Items	Number	Jan-Dec 2008	Jan-Dec 2007
Net profit for equity holders of the Company	1	<b>-263,141,611.27</b>	9,278,498.87
Net profit of extraordinary items for equity holders of the Company	2	<b>5,869,216.12</b>	14,620,987.90
Net profit for equity holders of the Company after extraordinary items	3=1-2	<b>-269,010,827.39</b>	-5,342,489.03
Total number of shares at the beginning of the period	4	<b>422,000,000.00</b>	422,000,000.00
Number of shares increased by converting surplus reserve into share capital(I)	5		
Number of shares increased by issuing new shares or shares converted from debentures(II)	6		
Share increase(II)number of months from next month to the end of the reporting period	7		
Number of shares decreased by buyback or shrinking Share decrease	8		
Number of months from next month to the end of the reporting period	9		
Number of Months in the reporting period	10	<b>12</b>	12
Ordinary shares on weighted average basis	11=4+5+6×7÷10-8×9÷10	<b>422,000,000.00</b>	422,000,000.00
Basic earning per share(I)	12=1÷11	<b>-0.62</b>	0.02
Basic earning per share(II)	13=3÷11	<b>-0.64</b>	-0.01
Dividends of diluted convertible ordinary shares as expense	14		
Conversion expense	15		
Income tax	16		
Number of shares increased by options or warrants	17		
Diluted earning per share(I)	18=[1+(14-15)×(1-16)]÷(11+17)	<b>-0.62</b>	0.02
Diluted earning per share(II)	19=[3+(14-15)×(1-16)]÷(11+17)	<b>-0.64</b>	-0.01

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

#### 41. Cash Flow

(1) Cash and cash equivalents includes:

Item	31 Dec 2008	31 Dec 2007
Cash	<b>66,503,301.13</b>	98,652,543.32
Including: cash on hand	<b>92,177.41</b>	56,345.34
Cash in bank	<b>66,411,123.72</b>	98,596,197.98
Cash equivalents	<b>0.00</b>	0.00
Cash and cash equivalents at the year end	<b>66,503,301.13</b>	98,652,543.32
Including: Restricted cash and cash equivalent for parent Company or subsidiary inside the group company	<b>0.00</b>	0.00

(2) Received/paid cash relevant with the activities of other management/investment/financing

1) *Other cash received related to operation activity*

Item	Jan-Dec 2008	Jan-Dec 2007
Rental income	<b>667,389.00</b>	1,783,386.00
Interest income	<b>726,169.74</b>	1,184,420.59
Receive Financial project funding	<b>3,470,000.00</b>	4,334,000.00
security deposit	<b>1,311,200.00</b>	2,413,360.00
Research and Development fee	<b>5,290,000.00</b>	610,000.00
Recover restitution payments	<b>1,175,149.39</b>	1,188,610.99
return of a variety of social security insurance	<b>754,094.71</b>	637,942.54
sale of materials and disposal of waste materials	<b>917,500.00</b>	0.00
Others	<b>104,157.43</b>	1,004,075.55
<b>Total</b>	<b>14,415,660.27</b>	<b>13,155,795.67</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 41. Cash Flow (Continued)

(2) Received/paid cash relevant with the activities of other management/investment/financing (Continued)

2) Other cash payment related to operation activity

Item	Jan-Dec 2008	Jan-Dec 2007
Trademark user fees	<b>3,818,973.72</b>	6,364,789.19
Employ agency fees	<b>2,541,908.22</b>	6,243,180.12
Debugging Fee	<b>6,034,034.19</b>	8,768,463.73
Insurance and warranty fee	<b>6,477,516.01</b>	9,050,378.18
Land-use fees	<b>850,121.48</b>	2,729,668.66
Advertising and participation fees	<b>6,401,042.06</b>	6,913,054.25
Freight fee	<b>6,682,149.74</b>	6,833,660.13
Transport fee	<b>881,794.91</b>	164,517.50
Office expenses, conference fees and travel fee	<b>7,939,529.51</b>	6,018,115.29
Water and electricity fee	<b>915,365.09</b>	995,936.81
Business Hospitality	<b>2,191,043.98</b>	2,068,794.20
Commission fee	<b>5,084,626.88</b>	8,389,344.49
Others	<b>11,733,937.89</b>	10,324,876.99
<b>Total</b>	<b>61,552,043.68</b>	<b>74,864,779.54</b>

3) Cash received related to other investment activity

Item	Jan-Dec 2008	Jan-Dec 2007
Financing expense paid to Commercial bank	<b>737,612.88</b>	250,920.00
Collected caution money	<b>8,280,000.00</b>	9,751,032.12
<b>Total</b>	<b>9,017,612.88</b>	<b>10,001,952.12</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 41. Cash Flow (Continued)

##### (3) Supplement information of consolidated cash flow

Item	Jan-Dec 2008	Jan-Dec 2007
1. Cash flow from operating activities		
Net profit	<b>-282,828,412.49</b>	9,373,669.52
Add: Provision on the		
impairment of assets	<b>96,485,052.92</b>	15,224,952.80
Depreciation of fixed asset	<b>47,761,599.08</b>	45,348,517.59
Amortization of investment		
real estate	<b>3,523,932.79</b>	3,916,354.90
Amortization of intangible asset	<b>66,000.00</b>	77,715.00
Amortization of long-		
term prepaid expenses	<b>-3,323,331.50</b>	-4,033,932.67
Loss from disposal on fixed asset,		
intangible assets, and other		
long term asset(“-”if revenue)	<b>0.00</b>	87,066.33
Loss of fixed asset		
disposal (“-”if revenue)	<b>0.00</b>	0.00
Gain or loss from changes		
in fair value (“-”if revenue)	<b>24,644,588.39</b>	19,150,769.50
Financial expenses (“-”if revenue)	<b>8,976,805.23</b>	5,082,811.71
Loss from investment (“-”if revenue)	<b>-5,683,827.78</b>	-28,353.46
Decrease in deferred		
tax assets (“-”if increase)	<b>0.00</b>	0.00
Increase in deferred tax		
liability (“-”if decrease)	<b>-32,433,420.42</b>	55,466,620.20
Decrease in inventory (“-”if increase)	<b>134,807,192.89</b>	-104,352,215.04
Decrease of account		
receivable (“-”if increase)	<b>20,241,796.83</b>	-21,012,182.71
Increase of account payable (“-”if decrease)	<b>0.00</b>	0.00
Net cash flow from operating activities	<b>12,237,975.94</b>	24,301,793.67

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 41. Cash Flow (Continued)

##### (3) Supplement information of consolidated cash flow (Continued)

Item	Jan-Dec 2008	Jan-Dec 2007
2. Cash flow from financing activities:		
Debts transferred into capital	0.00	0.00
Corporation debenture with maturity less than one year	0.00	0.00
Financing leased fixed asset	0.00	0.00
3. Changes in cash and cash equivalent:		
End balance of cash	66,503,510.00	98,652,543.32
Less: beginning balance of cash	98,652,543.32	76,102,837.73
Add: end balance of cash equivalents	0.00	0.00
Less: beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	-32,149,033.32	22,549,705.59

##### (4) Relevant information of current disposed subsidiaries and other business units

Item	31 Dec 2008
Relevant information of disposed subsidiaries and other business units	
1. Price of disposed subsidiary and other business units	0.00
2. Disposal of subsidiaries and other business units received in cash and cash equivalents	0.00
Less: subsidiaries and other business units held cash and cash equivalents	0.00
3. Subsidiaries and other business units received net of cash	0.00
4. Subsidiaries' net assets	0.00
Current assets	0.00
Non-current assets	0.00
Current liabilities	0.00
Non-current liabilities	0.00

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### IX. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT

#### 1. Accounts receivable

##### (1) Aging analysis for accounts receivable

Items	31 Dec 2008			31 Dec 2007		
	Amount	Proportion %	Provision for bad debts	Amount	Proportion %	Provision for bad debts
Within 1 year	167,009,527.42	51.66	0.00	313,255,935.86	77.42	0.00
1-2 years	102,488,310.22	31.70	25,991,997.75	35,841,016.97	8.86	10,479,305.09
2-3 years	23,741,917.50	7.34	14,245,150.50	30,738,488.18	7.60	18,349,631.08
More than 3 years	30,063,837.90	9.30	30,063,837.90	24,786,328.21	6.12	24,786,328.21
<b>Total</b>	<b>323,303,593.04</b>	<b>100.00</b>	<b>70,300,986.15</b>	<b>404,621,769.22</b>	<b>100.00</b>	<b>53,615,264.38</b>

##### (2) Risk classification for accounts receivable

Item	31 Dec 2008				31 Dec 2007			
	Amount	%	Provide of Bad debt	Proportion %	Amount	Proportion %	Provide of Bad debt	Proportion %
Accounts receivable material								
in individual amounts	117,005,151.19	36.19	11,117,576.57	15.81	99,940,737.88	24.70	18,513,819.11	34.53
Accounts receivable non-material								
in individual amounts, but with credit risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other accounts receivable								
non-material in individual amounts	206,298,441.85	63.81	59,183,409.58	84.19	304,681,031.34	75.30	35,101,445.27	65.47
<b>Total</b>	<b>323,303,593.04</b>	<b>100.00</b>	<b>70,300,986.15</b>	<b>100.00</b>	<b>404,621,769.22</b>	<b>100.00</b>	<b>53,615,264.38</b>	<b>100.00</b>

At the year end, we perform the impairment test on the individual significant receivable amounted up to RMB 117,010,000, of which RMB 83,740,000 does not exist any impairment. And we made the provision of impairment of RMB 11,120,000 for the receivable amounted to RMB 33,270,000 whose collectability is dropping due to its partially long aging amount.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### IX. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT (Continued)

#### 1. Account receivable (Continued)

- (3) The Company and Shanghai Pudong development bank Beijing branch subscribed some operation about printing machine selling for getting currency capital. According to "temporary regulation of financing accounting between corporation and bank or other finance institution", (accounting No.14,2003),the Company puts the account receivables into short term loan. As of 31 Dec 2008, the balance of factoring of account receivables was RMB 62,932,709.69.
- (4) The Company collected the debt RMB 24,317.51from Heilongjiang Printing Material Ltd., which was written-off before.
- (5) **The actual written-off of account receivables**

Company name	The nature of accounts receivable	Write-off amount	Provision for bad debt	Write-off reason	Whether association transactions
Wenzhou Beiren Printing Machinery Sales Ltd.	Trade receivable	28,000.00	28,000.00	Agreement to write-off	no
Zhejiang Sanxin Printing Materials Co., Ltd. Longgang Branch	Trade receivable	75,000.00	75,000.00	Agreement to write-off	no
Xinjiang Publishing Printing Group	Trade receivable	49,953.00	49,953.00	Agreement to write-off	no
<b>Total</b>		<b>152,953.00</b>	<b>152,953.00</b>		

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### IX. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT (Continued)

#### 1. Account receivable (Continued)

- (6) The details of the balance of the account receivables due from shareholders who hold 5% or more of the Company's shares are as follows:

Name of company	31 Dec 2008		31 Dec 2007	
	Amount	Bad debts	Amount	Bad debts
Beiren Group Corporation	590,000.00	0.00	1,460,000.00	0.00

- (7) The sum of top 5 of the end balance is amounted to RMB 75,465,453.43, which is 23.34% of the total amount.
- (8) Balance of receivables from related party is amounted to RMB 32,298,509.86, which is 9.99% of the total receivables.
- (9) The balance of receivables in foreign currency:

Foreign currency	31 Dec 2008			31 Dec 2007		
	Original currency	Rate	RMB	Original currency	Rate	RMB
USD	217,175.00	6.8346	1,484,304.26	162,454.12	7.3046	1,186,662.37
Euro	0.00		0.00	296,000.00	10.6669	3,157,402.40
<b>Total</b>			<b>1,484,304.26</b>			<b>4,344,064.77</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### IX. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT (Continued)

#### 2. Other Accounts Receivable

##### (1) Aging analysis for other receivables

Item	31 Dec 2008			31 Dec 2007		
	Amount	Ratio%	Provision for bad debt	Amount	Ratio%	Provision for bad debt
Less than 1 year	6,181,591.07	30.57	0.00	6,389,887.46	15.72	1,769,000.00
1-2 years	3,273,395.26	16.19	1,769,000.00	362,184.87	0.89	0.00
2-3 years	352,584.87	1.74	0.00	1,721,445.04	4.24	0.00
More than 3 years	10,415,941.47	51.50	9,746,937.83	32,160,558.18	79.15	16,760,941.26
<b>Total</b>	<b>20,223,512.67</b>	<b>100.00</b>	<b>11,515,937.83</b>	<b>40,634,075.55</b>	<b>100.00</b>	<b>18,529,941.26</b>

##### (2) Risk classification for other receivables

Item	31 Dec 2008				31 Dec 2007			
	Amount	Ratio%	Amount	Provision for bad debt Ratio%	Amount	Ratio%	Amount	Provision for bad debt Ratio%
Single item account receivable with large amount	9,088,241.00	44.94	9,088,241.00	78.92	30,832,857.71	75.88	17,088,241.00	92.22
Single item account receivable with un-large amount but has big risk after risk character combination	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other single item account receivable with un-large amount	11,135,271.67	55.06	2,427,696.83	21.08	9,801,217.84	24.12	1,441,700.26	7.78
<b>Total</b>	<b>20,223,512.67</b>	<b>100.00</b>	<b>11,515,937.83</b>	<b>100.00</b>	<b>40,634,075.55</b>	<b>100.00</b>	<b>18,529,941.26</b>	<b>100.00</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### IX. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT (Continued)

#### 2. Other Account Receivable (Continued)

##### (3) The actual write-off of other receivables:

Company name	The nature of accounts receivable	Write-off amount	Provision made for Bad Debts	Write-off reason	Whether association transactions
Baiyin city Yinpeng town credit cooperative (note 1)	Cash at bank	5,000,000.00	5,000,000.00	Declaration of Insolvency by Debtor	no
Sheenlite Limited Co., Ltd (note 2)	Other receivables	5,251,420.36	2,014,003.42	Liquidated by Debtor	yes
<b>Total</b>		<b>10,251,420.36</b>	<b>7,014,003.42</b>		

Note 1: The other receivable of Baiyin city Yinpeng town credit cooperative was the cash at bank, because of the credit cooperative is being liquidated, so this receivable is unable to recover, the Company had full provision for bad debt. The credit cooperative's bankruptcy debt procedure stopped in accordance with its bankruptcy and civil book award at the end of year. Therefore, the receivable was written-off on corresponding provision of bad debt.

Note 2: The account receivable from Sheenlite Limited, was advanced money for start-up fee. The bad debts provision was fully made for the receivable and written-off into current profit and loss this year, due to Chengguang Co.,Ltd. was liquidated.

(4) The end balance of other receivables is not including any shareholder with more than 5% (incl. 5%) shares of the Company.

##### (5) The top 5 of the end balance of other receivable are as follows:

Company name	Relation with the Company	Amount	Arrears period	Proportion of total amount (%)
Southeast Asia	The Company's client	9,088,241.00	More than 3 years	44.94
Beijing Beiduan Forging Machine Tool Co., Ltd.	The Company's client	710,563.91	1-3 year	3.51
Heating company	Heat supplier	670,000.00	More than 3 years	3.31
Beijing Jingren printing machinery factory	Subsidiary	612,494.59	Less than 1 years	3.03
Ningxin Huaxia printing factory	The Company's client	657,700.47	More than 3 years	3.25
<b>Total</b>		<b>11,738,999.97</b>		<b>58.04</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### IX. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT (Continued)

#### 2. Other Account Receivable (Continued)

##### (6) The end balance of other receivable due from related parties

Company name	Relation with the Company	Amount	Proportion of total amount (%)
Beijing Monigraf Automation Co., Ltd.	Associated company	285,000.00	1.41
Beijing Beiren Jingyan Printing Machinery Factory	Subsidiary	612,494.59	3.03

##### (7) End balance in foreign currency of other account receivable:

Foreign currency	31 Dec 2008			31 Dec 2007		
	Original currency	Exchange Rate	RMB	Original currency	Exchange Rate	RMB
HKD	0.00		0.00	17,881,905.93	0.9364	16,744,616.71

#### 3. Long – term equity investment

##### (1) Long-term equity investments

Item	31 Dec 2008	31 Dec 2007
Calculated long-term equity investment according to cost method	202,594,699.26	202,594,699.26
Calculated long-term equity investment according to rights and interests method	14,478,492.90	24,191,198.13
Sum of long term stock rights investment	217,073,192.16	226,785,897.39
Less: provide of devaluation for long-term equity investment	0.00	0.00
Net value of long-term equity investment	217,073,192.16	226,785,897.39

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### IX. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT (Continued)

#### 3. Long-term equity investment (Continued)

##### (2) Long-term equity investments under Cost Method and Equity Method

Name of invested companies	Percentage of share holding	Percentage of voting rights	Registered Share capital	Beginning balance	Increase	Decrease	Ending balance	Dividends Of the year
Cost Method								
Haimen Beiren								
Fuji Printing Machinery Co., Ltd.	82.54	82.54	34,848,000.00	34,848,000.00	0.00	0.00	34,848,000.00	0.00
Beijing Beiren								
Fuji Printing Co., Ltd.	70.00	70.00	29,632,699.26	29,632,699.26	0.00	0.00	29,632,699.26	0.00
Hebei Beiren Paper								
Feeder Co., Ltd.	50.68	50.68	2,534,000.00	2,534,000.00	0.00	0.00	2,534,000.00	0.00
Beijing Beiren Jingyan								
Printing Machinery Factory	99.76	99.76	21,000,000.00	21,000,000.00	0.00	0.00	21,000,000.00	0.00
Beijing Beiren Yuxin								
Offset Printing Co. Ltd.	68.66	68.66	15,400,000.00	15,400,000.00	0.00	0.00	15,400,000.00	0.00
Shaanxi Beiren Printing								
Machinery Co. Ltd.	86.24	86.24	99,180,000.00	99,180,000.00	0.00	0.00	99,180,000.00	0.00
Sub-total			202,594,699.26	202,594,699.26	0.00	0.00	202,594,699.26	0.00
Equity Method								
Beijing Monigraf								
Automations Co. Ltd.	49	49	3,675,000.00	8,593,334.71	823,857.05	622,300.00	8,794,891.76	622,300.00
Beijing Beiyong Casting								
Co. Ltd.	20	20	1,136,000.00	4,854,455.50	942,745.64	113,600.00	5,683,601.14	113,600.00
Beijing Mitsubishi Heavy								
Industries Beiren Printing Machinery Co., Ltd.	49	49	22,540,000.00	10,743,407.92	0.00	10,743,407.92	0.00	0.00
Sub-total			27,351,000.00	24,191,198.13	1,766,602.69	11,479,307.92	14,478,492.90	735,900.00
<b>Total</b>			<b>229,945,699.26</b>	<b>226,785,897.39</b>	<b>1,766,602.69</b>	<b>11,479,307.92</b>	<b>217,073,192.16</b>	<b>735,900.00</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### IX. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT (Continued)

#### 3. Long-term equity investment (Continued)

##### (2) Long-term equity investments under Cost Method and Equity Method (Continued)

In accordance with the resolution of the first boards meeting of Beijing Monigraf Automations Co. Ltd., RMB 7,500,000.00 from the undistributed profit was reinvested into capital, therefore the registered capital increased from RMB 7,500,000.00 to RMB 15,000,000.00 and the source of the capital funds was the undistributed profit of the period from 2004 to 2006, and the Company's investment increased of 3,675,000.00 in calculating by share holding percentage.

##### (3) Associations

Name of invested companies	Place of register	Nature of business	Percentage of		Total net assets at the end of period	Total operating income for the current period	Net income for the current period
			Percentage share holding of the Company	Percentage of voting rights among received investment companies			
Association Companies							
Beijing Monigraf Automations Co. Ltd.	Beijing	The Research and development, design, manufacture, sale of the control system of printing ink within the printer, the sale of the printing facilities and printing material, and in connection with its own products' illustration, adjustment, maintenance, technology advisory and training.	49%	49%	17,948,758.69	21,344,785.31	1,681,340.92
Beijing Beijing Casting Co. Ltd.	Beijing	Processing and sale of standard and non-standard components, manufacture of casting, processing of model, technology development, transferring, advisory, service.	20%	20%	28,418,005.66	118,700,589.69	4,713,728.18
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Beijing	Manufacture and sale of printing machinery, related technology advisory and service.	49%	49%	-22,773,668.65	63,978,907.87	-41,273,955.64
<b>Total</b>					<b>23,593,095.70</b>	<b>204,024,282.87</b>	<b>-34,878,886.54</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### IX. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT *(Continued)*

#### 4. Operating income and cost

##### (1) Operating Income

Item	2008	2007
Operating income	<b>432,536,934.57</b>	774,418,272.45
Non-operating income	<b>16,417,410.61</b>	14,170,911.72
Total	<b>448,954,345.18</b>	788,589,184.17
Operating cost	<b>386,477,437.26</b>	616,098,744.00
Non-operating cost	<b>11,781,569.67</b>	6,876,304.95
<b>Total</b>	<b>398,259,006.93</b>	<b>622,975,048.95</b>

##### (2) Operating income/cost-in classification of products/business

Item	2008		2007	
	Operating income	Operating cost	Operating income	Operating cost
Printing machine	421,677,055.43	360,943,861.73	759,387,527.25	600,456,484.68
Attachment	10,785,848.65	25,478,142.98	14,577,244.34	14,946,230.97
others	74,030.49	55,432.55	453,500.86	696,028.35
<b>Total</b>	<b>432,536,934.57</b>	<b>386,477,437.26</b>	<b>774,418,272.45</b>	<b>616,098,744.00</b>

- (3) Total income from top five customers was RMB 90,701,709.40 with a percentage of 12.16% of total income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### IX. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT (Continued)

#### 5. Investment income

##### (1) Sources of investment income

Item	2008	2007
Investment income of long-term shareholding in equity method	<b>-8,976,805.23</b>	-6,489,946.09
Investment income of disposal of long-term shareholding investment	<b>0.00</b>	3,727,787.05
<b>Total</b>	<b>-8,976,805.23</b>	<b>-2,762,159.04</b>

- (a) There was no significant limit for remittance of investment income.
- (b) The investment income decreased of 224.99% comparing with last year, mainly because of the increase of loss of Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd and the decrease of income of disposal of long-term shareholding investment.
- (c) The liquidation of Sheenlite Limited was completed this year and there was no liquidation profit or loss.

##### (2) Investment income of long-term shareholding in equity method

Item	2008	2007	Reason of change
Total	<b>-8,976,805.23</b>	-6,489,946.09	
Among the total:			
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	<b>-10,743,407.92</b>	-8,207,035.79	Increase of loss

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### X. SEGMENT REPORT

Over 90% of the Company 's profits and revenue are from domestic manufacture and sales of the printing machinery. Therefore, the management thinks it is not necessary to prepare the segment report.

### XI. DEBT RESTRUCTURE

The Company has no debt reconstruction as at the date of 31 Dec 2008.

### XII. NON-MONETARY TRANSACTION

The Company has no exchange of non-monetary assets as at the date of 31 Dec 2008.

### XIII. SHARE BASED PAYMENT

The Company has no share based payment as at the date of 31 Dec 2008.

### XIV. LEASE

#### 1. Net book value of operating leased out assets

<b>Project</b>	<b>31 Dec 2008</b>	31 Dec 2007
Land	<b>17,411,814.22</b>	17,786,136.54
Houses and Building	<b>81,347,989.90</b>	79,954,470.69
Machine and facility	<b>2,657,485.71</b>	2,935,213.35
Transportation facility	<b>8,244.84</b>	50,115.54
Total	<b>101,425,534.67</b>	100,725,936.12



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### XV. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS OF RELATED PARTIES

#### 1. Related parties

##### (1) Parent companies

##### (a) Background

Name	Ownership	Place of register	Legal representative	Business Scope	The ultimate controlling party	Code of the Organization
Beiren Group Corporation	Whole people owned	44# Guangqiu Venue Chaoyang District Beijing	Deng gang	Sales and manufacture of printing machinery, packaging machinery, series products of machine tool and components, technology development, technology advisory etc.	Beijing Jingcheng Machinery and Electronic Holding Co.Ltd.	10110132
Beijing Jingcheng Machinery and Electronic Holding Co. Ltd.	Unique State-owned	59# Zhong Venue n Dongsanhua Chaoyang District Beijing	Li jsheng	Operation and management of authorized State capital: property right (stock right) operation; collecting and investing money from foreign countries.	Beijing National Resources Committee	633686217

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### XV. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS OF RELATED PARTIES (Continued)

#### 1. Related parties (Continued)

##### (1) Parent companies (Continued)

(b) Registered capital (RMB 0'000) of the parent company

Name	31 Dec 2007	Increase	Decrease	31 Dec 2008
Beiren Group Corporation	20,026.60	0.00	0.00	<b>20,026.60</b>
Beijing Jingcheng Machinery Electronic Holding Co. Ltd.	135,901.50	0.00	0.00	<b>135,901.50</b>

(c) Shareholding (RMB 0'000)

	Amount of Share holding		Percentage of Share holding		Percentage of voting right	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Beiren Group Corporation	<b>22,264.00</b>	22,264.00	<b>52.76</b>	52.76	<b>52.76</b>	52.76

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### XV. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS OF RELATED PARTIES (Continued)

#### 1. Related parties (Continued)

##### (2) Subsidiaries

##### (a) Background

Name	Nature of subsidiary	Nature	Registration Location	Legal person	Operating Scope	Organisation number
Shaanxi Beiren Printing Machinery Co., Ltd.	Under control	Limited Liability company	Weinan City, Shanxi Province Shaanxi Province	Zhang Peiwu	Manufacture, sale and maintain printing machines, packing machines, engineering machines and electrical equipments and relevant fittings, manufacture and sale typesetting machines and printing machines	709915814
Beijing Beiren Fuji Printing Machinery Co., Ltd.	Under control	Sino-Foreign Equity Joint Venture Enterprise	Chaoyang District, Beijing City	Zhang Peiwu	Manufacture printing machines, sale self-manufactured products	600040954
Haimen Beiren Printing Machinery Co., Ltd.	Under control	Limited Liability company	Haimen City, Jiangsu Province	Zhang Peiwu	Manufacture printing machines and relevant fittings	138335313
Hebei Beiren Paper Feeder Co., Ltd.	Under control	Limited Liability company	Shijiazhuang City, Hebei Province	Yang Zhendong	Process and sale paper providers and relevant fittings	236049927
Beijing Beiren Jinyan Printing Machinery Factory	Under control	Joint stock company	Yanqing Country, Beijing City	Yang Zhendong	Manufacture printing machines and relevant components provide relevant technical consulting services	103047696
Beijing Beiren Yuxin Offset Printing Limited	Under control	Limited Liability company	Dongcheng District, Beijing City	Liu Jing	Book printing, binding, typesetting and plate making	801236427

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### XV. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS OF RELATED PARTIES (Continued)

#### 1. Related parties (Continued)

##### (2) Subsidiaries (Continued)

###### (b) Registered capital

Name	31 Dec 2007	Increase	Decrease	31 Dec 2008
Shaanxi Beiren Printing Machinery Limited	115,000,000.00	0.00	0.00	115,000,000.00
Beijing Beiren Fuji Printing Machinery Ltd.	42,328,060.26	0.00	0.00	42,328,060.26
Haimen Beiren Printing Machinery Co., Ltd.	51,000,000.00	0.00	0.00	51,000,000.00
Hebei Beiren Paper Feeder Co., Ltd.	5,000,000.00	0.00	0.00	5,000,000.00
Beijing Beiren Jinyan Printing Machinery Factory	21,050,000.00	0.00	0.00	21,050,000.00
Beijing Beiren Yuxin Offset Printing Co., Ltd.	22,430,000.00	0.00	0.00	22,430,000.00

###### (c) Shareholding

Name	Amount of Share holding		Percentage of Share holding		Percentage of voting right	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
Shaanxi Beiren Printing Machinery Co., Ltd.	99,180,000.00	99,180,000.00	86.24	86.24	86.24	86.24
Beijing Beiren Fuji Printing Machinery Ltd.	29,632,699.26	29,632,699.26	70.00	70.00	70.00	70.00
Haimen Beiren Printing Machinery Company Ltd.	34,848,000.00	34,848,000.00	82.54	82.54	82.54	82.54
Hebei Beiren Paper Feeder Co., Ltd.	2,534,000.00	2,534,000.00	50.68	50.68	50.68	50.68
Beijing Beiren Jinyan Printing Machinery Factory	21,000,000.00	21,000,000.00	99.76	99.76	99.76	99.76
Beijing Beiren Yuxin Offset Printing Ltd.	15,400,000.00	15,400,000.00	68.66	68.66	68.66	68.66

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### XV. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS OF RELATED PARTIES (Continued)

#### 1. Related parties (Continued)

##### (3) Associations

##### a) Background

Name	Registration Nature	Registration Place	Legal person	Operating Scope	Registered capital (RMB 0'000)	Percent of ownership	Percent of voting right	Organisation number
Beijing Monigraf Automations Co. Ltd.	Sino-Foreign Equity Joint Venture Enterprise	Beijing city	Zhang Peiwu	The Research and development, design, manufacture, sale of the control system of printing ink within the printer, the sale of the printing facilities and printing material, and in connection with its own products' illustration, adjustment, maintenance, technology advisory and training.	1,500.00	49	49	600094442
Beijing Beijing Casting Co. Ltd.	Limited Liability company	Beijing city	Li Renhua	Processing and sale of standard and non-standard components, manufacture of casting, processing of model, technology development, transferring, advisory, service.	568.00	20	20	802866623
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Sino-Foreign Equity Joint Venture Enterprise	Beijing city	Zhang Peiwu	Manufacture and sale of printing machinery, related technology advisory and service.	4,600.00	49	49	788602348

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### XV. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS OF RELATED PARTIES (Continued)

#### 1. Related parties (Continued)

##### (3) Associations (Continued)

##### b) Financial information

Name	31 Dec 2008 (RMB 0'000)			2008 (RMB 0'000)	
	Asset	Liability	Equity	Operating income	Net profit
Beijing Monigraf Automations Co. Ltd.	3,153.60	820.50	2,333.09	2,134.48	706.35
Beijing Beiying Casting Co. Ltd.	7,230.09	4,388.29	2,841.80	11,870.06	471.37
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	19,348.03	21,625.39	-2,277.37	6,397.89	-4,127.40

##### (4) Other related parties

Relationship	Name	Organisation number	Transaction
Under the same parent company	Beiling Yanlong Importing & Exporting Company	101144898	Goods sales

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
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### XV. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS OF RELATED PARTIES (Continued)

#### 2. Related-party transactions

##### (a) Purchase of goods

Name	Nature	Pricing policy	2008		2007	
			Amount	Percent (%)	Amount	Percent (%)
Beiren Group Corporation	Purchase goods	On agreement	821,818,89.62	0.15	9,178,778.56	1.80
Beijing Monigraf Automations Co. Ltd.	Purchase goods	On agreement	13,311,452.00	2.48	7,507,565.99	1.50
Beijing Beiyong Casting Co. Ltd.	Purchase goods	On agreement	14,812,496.66	2.76	24,681,803.27	4.90
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Purchase goods	On agreement	63,898,720.15	11.92	136,492,877.49	27.00
Beiren Group Corporation	Trademark use fee	On agreement	3,818,973.72	100.00	6,364,789.19	100.00
Beiren Group Corporation	Land right use fee	On agreement	850,121.48	100.00	850,121.48	100.00
Beijing Jingcheng Machinery and Eletronic Holding Co.Ltd.	Special funds for R&D	On agreement	5,000,000.00	100.00	0.00	100.00

##### (b) Sales of goods

Name	Nature	Pricing policy	2008		2007	
			Amount	Percent (%)	Amount	Percent (%)
Beiren Group Corporation	Sale goods		0.00	0.00	470,085.47	0.04
Beijing Yanlong Importing & Exporting Company	Sale goods	On agreement	5,064,102.56	0.68	2,666,666.67	0.25
Beijing Mitsubishi Heavy Industries	Sale goods	On agreement	8,228,143.41	1.11	4,331,515.65	0.41

##### (c) Related parties rental

Name	Start date	Expire date	Basis of income	Percent	Rental income
Beijing Beiyong Casting Co. Ltd.	1 Jan 2005	31 Dec 2008	On agreement	50.83	4,407,064.68
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	1 Jul 2007	30 Jun 2015	On agreement	20.96	1,817,636.00
Beijing Monigraf Automations Co. Ltd.	1 Jul 2007	30 Jun 2009	On agreement	1.04	90,000.00
Beiren Group Corporation	1 Jan 2008	31 Dec 2008	On agreement	10.73	930,000.00

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### XV. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS OF RELATED PARTIES (Continued)

#### 3. Balance of related-party transactions

##### (a) Accounts receivable of related parties

Item	31 Dec 2008	31 Dec 2007
Parent company		
Beiren Group Corporation Association	590,000.00	1,460,000.00
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	6,849,988.26	0.00
Under the same parent company		
Beijing Yanlong Importing & Exporting Company	26,000.00	218,000.00
Less: bad debts provision	0.00	0.00
<b>Total</b>	<b>7,465,988.26</b>	<b>1,678,000.00</b>

##### (b) Others receivable of related parties

Item	31 Dec 2008	31 Dec 2007
Association		
Beijing Monigraf Automations Co. Ltd.	285,000.00	195,000.00
Beijing Beiyong Casting Co. Ltd.	0.00	853,200.00
Less: bad debts provision	0.00	0.00
<b>Total</b>	<b>285,000.00</b>	<b>1,048,200.00</b>

##### (c) Prepayments of related parties

Item	31 Dec 2008	31 Dec 2007
Association		
Beijing Monigraf Automations Co. Ltd.	409,400.00	848,600.00
Beijing Beiyong Casting Co. Ltd.	301,707.12	0.00
Less: bad debts provision	0.00	0.00
<b>Total</b>	<b>711,107.12</b>	<b>848,600.00</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### XV. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS OF RELATED PARTIES (Continued)

#### 3. Balance of related-party transactions (Continued)

##### (d) Accounts payables of related parties

Connected parties	31 Dec 2008	31 Dec 2007
Parent company		
Beiren Group Corporation Association	<b>2,318,780.11</b>	3,210,025.91
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	<b>62,409,049.78</b>	47,066,415.40
Beijing Monigraf Automations Co. Ltd.	<b>6,439,163.21</b>	0.00
Beijing Beiyong Casting Co. Ltd.	<b>1,485,228.25</b>	2,417,388.93
Under the same parent company		
Beijing Yanlong Importing & Exporting Co., Ltd.	<b>0.00</b>	12,240.00
Total	<b>72,652,221.24</b>	52,706,070.24

##### (e) Others payables of related parties

Connected parties	31 Dec 2008	31 Dec 2007
Parent company		
Beiren Group Corporation Association	<b>12,365,033.14</b>	12,366,324.25
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	<b>0.00</b>	365,023.00
Total	<b>12,365,033.14</b>	12,731,347.25

##### (f) Entrust loan of related parties

Connected parties	31 Dec 2008	31 Dec 2007
Related party		
Parent company and the controlling party		
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	<b>135,000,000.00</b>	150,000,000.00
Total	<b>135,000,000.00</b>	150,000,000.00

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### XV. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS OF RELATED PARTIES (Continued)

#### 3. Balance of related-party transactions (Continued)

##### (g) Funds for R&D of related parties

Name	31 Dec 2008	31 Dec 2007
Related party		
Parent company and the controlling party		
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	4,078,638.33	0.00
<b>Total</b>	<b>4,078,638.33</b>	<b>0.00</b>

### XVI. CONTINGENCIES

There was not any significant contingent event for the Company in the current year.

### XVII. COMMITMENTS

- Signed and conducting or preparing to be engaged lease contracts and financial impacts

As of 31 Dec 2008, the Company made commitments on the amount of the non-revocable operating lease as to renting the land of Beiren Group Corporation:

Period	Operating Lease
T+1 years	850.12
T+2 years	850.12
T+3 years	850.12
After T+3 years	2,550.36
<b>Total</b>	<b>5,100.72</b>

*Unit: RMB'000*

- As of 31 Dec 2008, except for the above events, there was no other significant commitments occurred for the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### XVIII. AFTER BALANCE SHEET DATE MATTERS

On 4th Mar 2009, 50.68% of the share of Hebei Beiren Paper Feeder Co., Ltd. was decided to be sold on approval of the 9th meeting of the Sixth Board Meeting, and the proposal was approved and confirmed by the Shareholders' Meeting of Hebei Beiren.

On 30th Mar 2009, with the approval of 10th meeting of the Sixth Board Meeting, the Company decided to offset the net loss with Surplus Reserve amounted RMB 155,755,581.00 and the balance of Surplus Reserve resulted at RMB 43,172,707.88 at the balance date after the offsetting.

### XIX. DISCONTINUED OPERATION

There was no discontinued operation subsidiary or divisive segments occurred for the Company in the current period.

### XX. OTHER SIGNIFICANT EVENTS

As of 31 Dec 2008, there was no other significant event that needed to be disclosed by the Company.

### XXI. SUPPLEMENTARY INFORMATION

#### 1. Reconciliation Statement of the net assets and net profit

Items	RMB'000			
	Net assets		Net profit	
	2008	2007	2008	2007
As reported under Hong Kong Financial Reporting Standards	<b>913,039</b>	1,199,123	<b>-285,113</b>	5,287
1. Difference in valuation of net assets contributed to the Company by Beiren Group Corporation	<b>60,198</b>	60,198	<b>0.00</b>	0.00
2. Subsequent amortization on net assets contributed by Beiren Group Corporation	<b>-48,409</b>	-48,343	<b>-66</b>	-66
3. Difference in valuation of assets contribution to subsidiaries	<b>197</b>	228	<b>-31</b>	-31
4. Difference in recognition of good will upon acquisition of subsidiaries	<b>-4,479</b>	-4,479	<b>0.00</b>	0.00
5. Difference in impairment of good will upon acquisition of subsidiaries	<b>4,479</b>	1,344	<b>3,135</b>	0.00
6. Difference in recognition of deferred tax	<b>0.00</b>	-1,622	<b>1,622</b>	-
7. Difference in recognition of reserve impairment of property in HK	<b>0.00</b>	1,730	<b>-1,730</b>	1,730
8. Others	<b>-2,198</b>	-1,493	<b>-645</b>	2,454
Prepared under Accounting Standards for Business Enterprises	<b>922,827</b>	1,206,686	<b>-282,828</b>	9,374

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### XXI. SUPPLEMENTARY INFORMATION *(Continued)*

#### 1. Reconciliation Statement of the net assets and net profit *(Continued)*

During the year, the impact of differences between the Accounting Standard for Business Enterprises and Hong Kong Financial Reporting Standards on the net profits of the Company was RMB 2,285,000; the difference was mainly due to the following:

- (1) Adjustments on the estimation of assets contributed by Beiren Group Corporation: In accordance with Hong Kong Financial Reporting Standards, the land development expenditures contributed by Beiren Group Corporation into the Company was accounted for as increase in capital reserve. But in accordance with Accounting Standard for Business Enterprises, the amount was recorded as the increase in long-term deferred and prepaid expenses. Accordingly, the related amortization charge of RMB 66,000 for the year was reversed in the accounts by the Company.
- (2) Difference in estimation on the value of assets invested into subsidiaries: In accordance with Hong Kong Financial Reporting Standards, the intangible assets invested by the Company into the subsidiaries with original cost of RMB 4,624,000 were written off in relevant years. In accordance with Accounting Standard for Business Enterprises, the intangible assets were stated as assets of the Group. Accordingly, the related amount of amortization of RMB 31,000 for the year was reversed in the accounts by the Company.
- (3) The Company consolidated Shaanxi Beiren Printing Machinery Company Limited by purchasing. The purchase cost exceeded the fair value of the recognizable net assets RMB 3,135,000, and the exceeded amount was recognized as Goodwill under Hong Kong Financial Reporting Standards. In the current year, in accordance with the financial budget for the forecoming 5 years made by Shaanxi Beiren Printing Machinery Company Limited, the Goodwill arose from the consolidation was withdrawn for the impairment provision fully.

Under the China Accounting Standards for Business Enterprise, the accounting treatments mentioned above were not performed yet.

- (4) Before 1 Jan 2007, the Company recognized the deferred tax assets of RMB 1,622,000. After 1 Jan 2007, the Company adopted China Accounting Standards for Business Enterprise, and stopped recognizing deferred tax assets with considering that the forecoming profits would not be enough to offset the accumulated losses.

The Company has a large net loss for the current year; therefore, all the deferred tax assets recognized in the previous years were reversed fully in accordance with Hong Kong Financial Reporting Standards.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### XXI. SUPPLEMENTARY INFORMATION (Continued)

#### 2. Statement of non-operating income and loss

In accordance with “Rule NO.1 for disclosing the information of companies which can issue securities publicly –non-operating income and loss (2008)” issued by CSRC, the non-operating income and loss of the Company are as follow:

Items	2008	2007
Profit and loss from disposal of long-term assets	<b>3,323,331.50</b>	3,946,866.34
Government subsidies which are included into profit and loss account for the current period	<b>731,656.58</b>	2,944,934.17
Net profit or loss of subsidiaries under common control from the beginning of the financial year to the acquisition date	<b>2,299,529.85</b>	6,139,817.91
Other non-operating profit(loss)	<b>-81,086.27</b>	5,250,212.75
Sub-total	<b>6,273,431.66</b>	18,281,831.17
Impacts from income tax	<b>0.00</b>	1,393,369.14
Total net profit on non-operating activities	<b>6,273,431.66</b>	16,888,462.03
Equity attributable to share holders of the parent company	<b>5,869,216.12</b>	14,620,987.90

Government grants taken into profit and loss of current period or other non-operating revenue and expenditures refer to VIII 39. Other profit or loss items qualifying the definition of irregular profit or loss are: (1) the reversion of impairment provision of accounts receivable tested individually (2) supplementary income tax expenses of Shaanxi Beiren Printing Machinery Company Limited of 2007 in accordance with tax report (Shaanhuaxinweishuizi2008 No.6) issued by Shaanxi Huaxin CTA.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under PRC accounting standards)  
For the year ended 31 December 2008

### XXI. SUPPLEMENTARY INFORMATION (Continued)

#### 3. Returns on net assets and earnings per share

In accordance with “Rule NO.9 for disclosing the information of companies which can issue securities publicly – calculation and disclosure of returns on net assets and earnings per share” issued by CSRC, the Returns on net assets and earnings per share on fully diluted basis and weighted average basis of the Company are as follow:

##### (1) 2008

Profit for the reporting period	Returns on net assets (%)		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Basic EPS	Diluted EPS
Net profit for equity holders of the parent company	-29.34%	-25.56%	-0.62	-0.62
Net profit for equity holders of the parent company after extraordinary items	-29.99%	-26.13%	-0.64	-0.64

##### (2) 2007

Profit for the reporting period	Returns on net assets (%)		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Basic EPS	Diluted EPS
Net profit for equity holders of the parent company	0.080%	0.80%	0.02	0.02
Net profit for equity holders of the parent company after extraordinary items	-0.46%	-0.46%	-0.01	-0.01

### XXII. APPROVAL OF FINANCIAL STATEMENTS

The Company’s financial statements were issued with the approval of the Board of the directors of the Company on 30 Mar 2009.

# FIVE YEARS' FINANCIAL SUMMARY

The audited consolidated operating results and the audited balance sheet of the Company for each of the five years ended 31 December 2008 were summarised as follows:

## OPERATING RESULTS

(Prepared under Hong Kong Financial Reporting Standards)

	<b>2008</b>	2007	2006	2005	2004
	<b>Rmb'000</b>	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Turnover	<b>739,161</b>	1,052,869	966,077	994,192	1,153,555
(Loss) profit before tax	<b>(289,070)</b>	6,157	(103,197)	77,092	122,711
Taxation	<b>3,957</b>	(870)	(17,346)	(15,507)	(20,688)
(Loss) profit for the year	<b>(285,113)</b>	5,287	(120,543)	61,585	102,023
Attributable to:					
Equity holders of the Company	<b>(265,426)</b>	5,192	(119,794)	57,553	101,201
Minority interests	<b>(19,687)</b>	95	(749)	4,032	822
	<b>(285,113)</b>	5,287	(120,543)	61,585	102,023

## BALANCE SHEET

(Prepared under Hong Kong Financial Reporting Standards)

	<b>2008</b>	2007	2006	2005	2004
	<b>Rmb'000</b>	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Assets					
Current assets	<b>1,108,591</b>	1,318,635	1,223,246	1,274,155	1,153,173
Non-current assets	<b>840,552</b>	891,646	899,355	863,921	873,060
Total assets	<b>1,949,143</b>	2,210,281	2,122,601	2,138,076	2,026,233
Liabilities					
Current liabilities	<b>972,517</b>	954,129	927,647	791,279	688,310
Non-current liabilities	<b>63,587</b>	57,029	2,000	4,000	24,250
Total liabilities	<b>1,036,104</b>	1,011,158	929,647	795,279	712,560
Total equity	<b>913,039</b>	1,199,123	1,192,954	1,342,797	1,313,673
Attributable to:					
Equity holders of the Company	<b>882,351</b>	1,148,748	1,142,674	1,291,768	1,267,975
Minority interests	<b>30,688</b>	50,375	50,280	51,029	45,698
	<b>913,039</b>	1,199,123	1,192,954	1,342,797	1,313,673



## DOCUMENTS AVAILABLE FOR INSPECTION

1. Original copy of the annual report, which has been signed by the Chairman.
2. Original copy of the auditors' report signed and chopped by the certified public accountant and under the seal of the accountant firm.
3. The original copies of all documents and announcements of the Company publicly disclosed during the reporting period in Shanghai Securities News and the websites of Shanghai Stock Exchange and The Stock Exchange of Hong Kong.
4. The Articles of Association of the Company
5. The above documents are available for inspection at Secretary's Office of the Board of Directors of the Company, whose address is No.6 Rong Chang Kong Street, Beijing Economic and Technological Development Zone, Beijing, the PRC

*Chairman:* **Pang Liandong**  
**Beiren Printing Machinery Holdings Limited**

30 March 2009



## CONFIRMATION ON THE 2008 ANNUAL REPORT OF THE COMPANY AND ITS SUMMARY BY DIRECTORS AND SENIOR MANAGEMENT OF BEIREN PRINTING MACHINERY HOLDINGS LIMITED

We warrant the truthfulness, completeness and accuracy of the contents in the 2008 Annual Report and its summary and that there are no false representations or misleading statements contained in or material omissions from them. We collectively and individually accept responsibility for the truthfulness, accuracy and completeness of the contents contained therein.

Signature of directors and senior management:

Name	Position	Signature	Name	Position	Signature
Pang Liandong	Chairman		Xu Wencai	Independent non-executive director	
Deng Gang	Vice Chairman		Wang Hui	Independent non-executive director	
Bai Fan	Non-executive director		Xie Bingguang	Independent non-executive director	
Zhang Peiwu	Executive director and general manager		Wang Deyu	Independent non-executive director	
Yu Baogui	Non-executive director		Jiao Ruifang	Secretary to the Board of Directors	
Yang Zhendong	Executive director and deputy general manager		Kong Dagang	Deputy general manager	
Duan Yuangang	Executive director and chief accountant		Liu Jing	Deputy general manager	

Beiren Printing Machinery Holdings Limited

30 March 2009