



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

(H Share Stock Code: 0187 ; A Share Stock Code: 600860)



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.

**2009** Annual Report

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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. All directors of the Company attend the meeting.
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. 

Chairman	Mr. Pang Liandong
General Manager	Mr. Zhang Peiwu
Chief Accountant	Mr. Duan Yuangang

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.
5. None of the controlling shareholders of the Company or its associates has misappropriated the Company’s funds.
6. The Company did not provide external guarantees in violation of any specified decision-making procedures.

# INTRODUCTION TO THE COMPANY

## (I) Information of the Company

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
Company's legal representative	Pang Liandong

## (II) Contact Person and Contact Way

	Secretary to the Board of Directors	Representative in charge of securities affairs
Name	Jiao Ruifang	Lu Ruiping
Contact address	No. 6 Rong Chang Dong Street, Beijing Economic and Technological Development Zone, Beijing, the People's Republic of China (the "PRC")	No. 6 Rong Chang Dong Street, Beijing Economic and Technological Development Zone, Beijing, the People's Republic of China (the "PRC")
Telephone	010-67802565	010-67802565
Facsimile	010-67802570	010-67802570
E-mail	beirengf@beirengf.com	beirengf@beirengf.com

## (III) Basic Information

Registered address of the Company	No. 6 Rong Chang Dong Street, Beijing Economic and Technological Development Zone, Beijing, the PRC
Postal code of the registered address	100176
Office address of the Company	No. 6 Rong Chang Dong Street, Beijing Economic and Technological Development Zone, Beijing, the PRC
Postal code of the office address	100176
Company's international internet website	<a href="http://www.beirengf.com">http://www.beirengf.com</a>
E-mail	beirengf@beirengf.com

## (IV) Dissemination of Company Information and the Place for Preparation and Reference

Name of newspapers designated for dissemination of company information	Shanghai Securities News
Internet website for publishing annual report	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place for preparation and reference of annual reports	Secretariat of the Board of Directors of Beiren Printing Machinery Holdings Limited

## (V) Basic Information of the Company's Shares

	Place of listing of the Company's Shares	Abbreviated name of Shares	Stock code for Shares	Abbreviated name of Shares before changes
The types of shares				
A share	Shanghai Stock Exchange	北人股份	600860	
H share	The Stock Exchange of Hong Kong Limited	Beiren Printing	0187	

## INTRODUCTION TO THE COMPANY

### (VI) 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
First change	
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	10171745-7
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
Other basic information of the Company	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.

### (VII) 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.

### (VIII) 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". Office and printing equipment rental.

# SUMMARY OF ACCOUNTING AND OPERATIONAL DATA

## (I) Major Accounting Figures

Unit: RMB

Item	Amount
Operating profit	-190,596,068.45
Total profit	-179,989,911.27
Net profit attributable to shareholders of listed company	-174,004,582.85
Net profit attributable to shareholders of listed company after extraordinary items	-184,816,789.84
Net cash flow from operating activities	120,659,594.60

## (II) Extraordinary Items and Amount

Unit: RMB

Extraordinary items	Amount
Profit (loss) from disposal of non-current assets	764,693.49
Government subsidy accounted into profit and loss for the current period (except for those closely associated with the operations of the Company which were accounted for in fixed amount or volume in compliance with the requirement of the policies of the State and in accordance with uniform standard of the state.)	8,435,792.39
Profit (loss) from debt restructuring	22,577.81
Reversal of impairment allowances for receivables individually tested for impairment	764,232.29
Effect of one-off adjustment to profit/loss for the period in accordance with the requirements of taxation and accounting laws and regulations on profit/loss for the period	-456,479.58
Other net non-operating income/expenses save for the above	1,383,093.49
Gain/loss on transfer of long-term equity investments held	630,814.67
Effect on income tax	0
Effect on minority interests (after tax)	732,517.57
Total	10,812,206.99

## (III) Major Accounting Figures and Financial Indicators for the Past Three Years

Unit: RMB

Key Financial Data	2009	2008	Changes over the same period of the preceding year (%)	2007
	Income from principal operations	<b>767,668,587.26</b>	759,050,785.96	1.14
Total profit	<b>-179,989,911.27</b>	-288,406,836.49	37.59	10,243,036.16
Net profit attributable to shareholders of listed company	<b>-174,004,582.85</b>	-263,141,611.27	33.87	9,278,498.87
Net profit attributable to shareholders of listed company after extraordinary items	<b>-184,816,789.84</b>	-269,010,827.39	31.30	-5,342,489.03
Net cash flow from operating activities	<b>120,659,594.60</b>	12,237,975.94	885.94	24,301,793.67
	<b>As at the end of 2009</b>	As at the end of 2008	Changes from the end of 2008 to the end of 2009 (%)	As at the end of 2007
Total asset	<b>1,737,782,547.50</b>	1,959,518,162.60	-11.32	2,216,816,579.29
Equity interest of owners (or shareholders' equity)	<b>722,862,519.49</b>	896,867,102.34	-19.40	1,161,039,825.84

## SUMMARY OF ACCOUNTING AND OPERATIONAL DATA

### (III) Major Accounting Figures and Financial Indicators for the Past Three Years *(Continued)*

Unit: RMB

Major financial indicators	2009	2008	Changes from the end of 2008 to the end of 2009 (%)	
			2008	2007
Basic earnings per share (RMB/share)	-0.41	-0.62	33.87	0.02
Diluted earnings per share (RMB/share)	-0.41	-0.62	33.87	0.02
Basic earnings per share after extraordinary items (RMB/share)	-0.44	-0.64	31.25 increase	-0.01
Returns on net assets on weighted average basis (%)	-21.49	-25.56	4.07 percent	0.80
Return on net assets on weighted average basis after extraordinary items (%)	-22.82	-26.13	3.31 percent increase	-0.46
Net cash flow per share from operating activities (RMB/share)	0.286	0.029	886.21	0.058
	<b>As at the end of 2009</b>	<b>As at the end of 2008</b>	<b>Changes from the end of 2008 to the end of 2009 (%)</b>	<b>As at the end of 2007</b>
Net asset per share attributable to shareholders of listed company (RMB/share)	1.71	2.13	-19.72	2.75

### (IV) Differences between the PRC and Hong Kong Financial Reporting Standards

Unit: 000'RMB Unit: RMB

Items	Net assets		Net profit	
	Current year	Previous year	Current year	Previous year
As reported under the Hong Kong Financial Reporting Standards	708,677	882,351	-173,674	-265,426
1. Difference in valuation of assets contributed to the Company by Beiren Group Corporation	60,198	60,198	—	—
2. Subsequent amortisation of difference in valuation of assets contributed to the Company by Beiren Group Corporation	-48,475	-48,409	-66	-66
3. Difference in valuation of assets contributed to subsidiaries	166	197	-31	-31
4. Difference in recognition of good will upon acquisition of a subsidiary	-4,479	-4,479	—	—
5. Difference in amortisation of goodwill upon acquisition of a subsidiary	4,479	4,479	—	3,135
6. Difference in recognition of deferred tax	—	—	—	1,622
7. Difference in recognition of transfer of impairment of assets	—	—	—	-1,730
8. Others	2,297	2,530	-234	-646
Prepared under Accounting Standard for Business Enterprises	722,863	896,867	-174,005	-263,142

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 RMB331,000. 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 reversed 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 reversed in the accounts by the Company.

# MOVEMENT OF SHAREHOLDERS' EQUITY AND INFORMATION OF SHAREHOLDERS

## (I) Changes in Share Capital

### 1. Statement of changes in share capital

Unit: Share

	Before change		Increase/decrease in this change (+/-)				After change		
	Number	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserves	Others	Sub-total	Number	Percentage (%)
(I) Shares subject to trading moratorium									
1. State-owned shares									
2. State-owned legal person shares	180,440,000	42.76				-180,440,000	-180,440,000	0	0
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	180,440,000	42.76				-180,440,000	-180,440,000	0	0
(II) Circulating shares not subject to trading moratorium									
1. Renminbi ordinary shares	141,560,000	33.55				180,440,000	180,440,000	322,000,000	76.31
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	241,560,000	57.24				180,440,000	180,440,000	422,000,000	100
(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, 21,100,000 Shares were Listed for circulation on the market on 22 May 2008 and 180,440,000 shares were listed for circulation on the market on 31 March 2009, 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, 20 May 2008 and 26 February 2009.

#### The Company considers it necessary or the Organization of Securities Regulators requires to publish other disclosure information:

The Company made an announcement on 7 January 2010, that it had sold 21 million circulating shares of the Company not subject to trading moratorium on 6 January 2010 and on 7 January 2010, representing 4.98 percent of the total share capital of the Company, After this reduction, Beiren Group Corporation holds 201.64 million shares of the Company, which are all circulating shares not subject to trading moratorium, representing 47.78 percent of the total share capital of the Company. Beiren Group Corporation is still the major shareholder of the Company after the aforesaid reduction of shareholding.

### 2. 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 restricted circulating shares during the year	No. of restricted circulating shares at the end the year	Reason for restriction	Expiry date of restriction
Beiren Group Corporation	180,440,000	180,440,000	0	0	Share Segregation Reform	2009-3-31
Total	180,440,000	180,440,000	0	0	/	/



## MOVEMENT OF SHAREHOLDERS' EQUITY AND INFORMATION OF SHAREHOLDERS

### (II) Security Issue and Listing

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

For the past three years ended 31 December 2009, 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 180,440,000 shares subject to trading moratorium were listed for circulation on 31 March 2009 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 2009:	
	Opening price at beginning of year:	HK\$0.72
	Closing price at end of year:	HK\$2.51
	Highest price:	HK\$3.30
	Lowest price:	HK\$0.68
(2)	A Shares prices in 2009:	
	Opening price at beginning of year:	RMB2.82
	Closing price at end of year:	RMB7.91
	Highest price:	RMB8.97
	Lowest price:	RMB2.81

### (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:** 28,504 (including: 28,408 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	0	Nil
HKSCC NOMINEES LIMITED	unknown	23.26	98,155,199	-592,000	0	unknown
李瑞宏	unknown	0.39	1,628,700	1,628,700	0	unknown
羅志青	unknown	0.30	1,258,600	1,258,600	0	unknown
伍志强	unknown	0.19	820,000	0	0	unknown
北廣電子	unknown	0.17	722,100	0	0	unknown
馬明	unknown	0.15	620,000	620,000	0	unknown
廖敬秋	unknown	0.14	600,000	-47,400	0	unknown
石毅	unknown	0.13	557,330	557,330	0	unknown
CHAN KWOK TAI EDDIE	unknown	0.13	556,000	508,000	0	unknown

# MOVEMENT OF SHAREHOLDERS' EQUITY AND INFORMATION OF SHAREHOLDERS

## (III) Shareholders and Beneficial Controller *(Continued)*

### 1. Number of shareholders and their shareholding *(Continued)* Particulars of top 10 holders of shares not subject to trading moratorium

Name of shareholders	Number of circulating shares held	Class of shares	
Beiren Group Corporation	222,640,000	Renminbi ordinary shares	222,640,000
HKSCC NOMINEES LIMITED	98,155,199	Foreign shares listed overseas	98,155,199
李瑞宏	1,628,700	Renminbi ordinary shares	1,628,700
羅志青	1,258,600	Renminbi ordinary shares	1,258,600
伍志强	820,000	Renminbi ordinary shares	820,000
北廣電子	722,100	Renminbi ordinary shares	722,100
馬明	620,000	Renminbi ordinary shares	620,000
廖敬秋	600,000	Renminbi ordinary shares	600,000
石毅	557,330	Renminbi ordinary shares	557,330
CHAN KWOK TAI EDDIE	556,000	Foreign shares listed overseas	556,000

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.

- Among the top ten shareholders of the Company, Beiren Group Corporation is the controlling shareholder of the Company. As of the reporting period, shares subject to trading moratorium held by Beiren Group Corporation were all listed for circulation in the market. As of the disclosed period of this report, Beiren Group Corporation had reduced 21 million circulating shares of the Company on 6 January 2010 and 7 January 2010. After this reduction, Beiren Group Corporation has 47.78 percent of the total share capital of the Company.
- 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.
- 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.
- There was no change in respect of shareholders holding 5% or more of the Company's shares.
- Save as disclosed above, Directors were not aware of any person (not being a Director, supervisor or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.
- 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.
- 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.
- Convertibles, options, warrants or other similar rights  
  
As of 31 December 2009, 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	Trading moratorium expiry date	Particulars of shares subject to trading moratorium available for listing and trading	
				No. of additional shares available for listing and trading after expiring of trading moratorium	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 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/share) of the weighted average price of circulating A shares 30 trading days before the announcement of the Share Segregation Reform Proposal.

2. **Controlling shareholder and beneficial controller**

(1) **Status of Controlling shareholder**

The legal person

Unit: RMB0'000

Name	Beiren Group Corporation
The person in charge of the Company or Legal representative	Zhao Guorong
Date of incorporation	16 July 1992
Registered capital	17,126.7
Principle activities	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.

# MOVEMENT OF SHAREHOLDERS' EQUITY AND INFORMATION OF SHAREHOLDERS

## (III) Shareholders and Beneficial Controller *(Continued)*

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

#### (2) Status of beneficial controller

The legal person

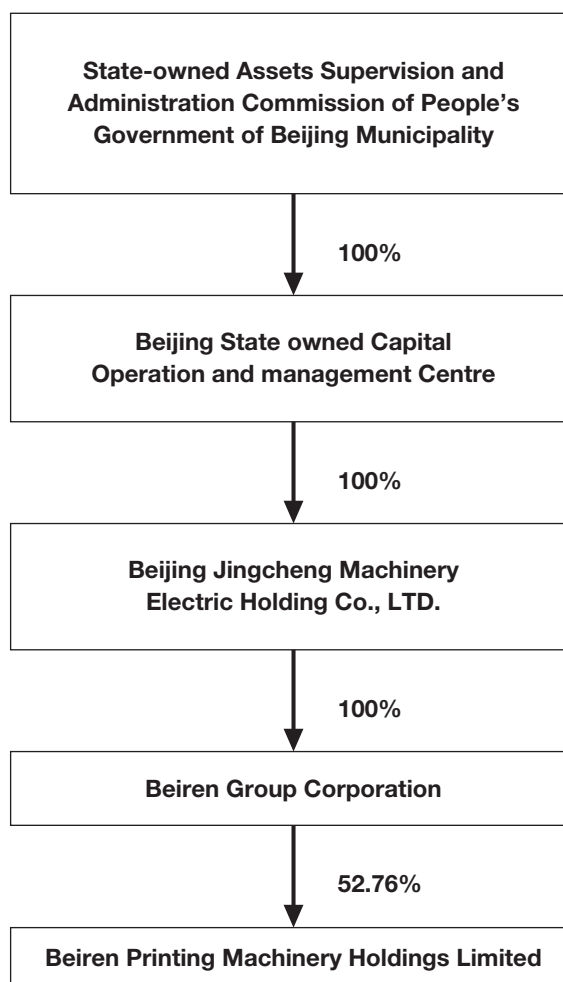
Unit: RMB0'000

Name	Beijing Jingcheng Machinery Electric Holding Co., Ltd.
The person in charge of the Company or Legal representative	Li Jisheng
Date of incorporation	8 September 1997
Registered capital	135,901.5
Principle activities	State-owned assets operation and management within the scope of authorization; operation of title (ownership); external financing and investment.

### (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.

#### 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 at the beginning of the year	Shareholdings at the end of the year	Increase/decrease	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
Pang Liandong	Chairman	Male	60	2009-01-08	2011-07-13	0	0		19.09	No
Zhao Guorong	Vice Chairman	Male	38	2009-11-3	2011-07-13	0	0		0	Yes
Bai Fan	Director	Male	40	2008-7-14	2011-07-13	0	0		0	Yes
Zhang Peiwu	Director and General Manager	Male	46	2008-7-14	2011-07-13	0	0		34.78	No
Yang Zhendong	Director and Deputy General Manager	Male	47	2008-7-14	2011-07-13	0	0		25.20	No
Duan Yuangang	Director and Chief Accountant	Male	35	2009-01-08	2011-07-13	0	0		25.20	No
Xu Wencai	Independent Non-executive Director	Male	52	2008-7-14	2011-07-13	0	0		4	No
Wang Hui	Independent Non-executive Director	Female	48	2008-7-14	2011-07-13	0	0		4	No
Xie Bingguang	Independent Non-executive Director	Male	54	2008-7-14	2011-07-13	0	0		4	No
Wang Deyu	Independent Non-executive Director	Male	35	2008-7-14	2011-07-13	0	0		4	No
Wang Liansheng	Chairman of the Supervisory Committee	Male	51	2009-11-3	2011-07-13	0	0		10.17	No
Guo Xuan	Supervisor	Male	39	2008-7-14	2011-07-13	0	0		15.11	No
Shao Zhenjiang	Supervisor	Male	36	2008-7-14	2011-07-13	0	0		11.95	No
Jiao Ruifang	Secretary to the Board of Directors	Female	32	2008-7-14	2011-07-13	0	0		24.78	No
Kong Dagang	Deputy General Manager	Male	51	2008-7-14	2011-07-13	0	0		24.50	No
Liu Jing	Deputy General Manager	Male	53	2008-7-14	2011-07-13	0	0		24.68	No
Total	/	/	/	/	/	0	0	/	231.46	/

### 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 2009, 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.
- (5) Save as disclosed above, none of the directors, supervisors and senior management of the Company, as at 31 December 2009, 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 SFO) which would have to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, 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 2009.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## (I) Directors, Supervisors and Senior Management *(Continued)*

### 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 than 90% of the basic salary of the first year of tenure. The amount of their yearend bonus will be determined at the sole discretion of the Board, realized 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.

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

Pang Liandong, Chinese nationality, male, aged 60, 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 reappointed as Director of Beiren Printing Machinery Holdings Limited since January 2009. Mr. Pang has years of experience in strategic management, corporate operation and production management.

Zhao Guorong, Chinese nationality, male, aged 38, Vice-chairman, graduated from Cheung Kong Graduate School of Business with EMBA. Mr. Zhao was the Sales Manager and Chief Executive Officer of Babcock & Wilcox Beijing Company Ltd. (Sino-US joint venture), Deputy Managing Director of 北京西海工貿公司, Chairman of Board of Beijing Jing-cheng Zhong'ao Elevator Co., Ltd, Director of Investment Co-operation of Beijing Jingcheng Mechanical & Electrical Holding Co., Ltd., Director and General Manager of Jingcheng Holding (Hong Kong) Company Limited, Director of BMEI Co., Ltd, Director of B. J. Electric Motor Co., Ltd, Director of Beijing Tianhai Industry Co., Ltd (Sino-HK joint venture), Director of Beijing Jingcheng Heavy Industry Co., Ltd. Mr. Zhao has been the General Manager of Beiren Group Corporation since July 2009, and has been Director of Beiren Printing Machinery Holdings Limited since November 2009. Mr. Zhao has in-depth knowledge in corporate governance, strategic planning and corporate culture and has rich experience in mergers and acquisitions and corporate reorganization.

Bai Fan, Chinese nationality, male, aged 40, 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; finance manager of Shen Ao Equipment Power Company; Assistant to Manager of Shanghai Textile Industry Bureau; 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 February 2000 to March 2003. He was in charge of the finance of Beiren Printing Machinery Holdings Limited from March 2003 to April 2005. He is currently Chief Accountant of Beijing Mechatronics Holding Company Limited. Mr. Bai has been appointed as Director of Beiren Printing Machinery Holdings Limited since July 2008. Mr. Bai has extensive experience in financial management and capital operation.

Zhang Peiwu, Chinese nationality, male, aged 46, 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 has been appointed as Director of Beiren Printing Machinery Holdings Limited since July 2007. He has years of experience in marketing and administration.

Yang Zhendong, Chinese nationality, male, aged 47, 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. He has been appointed as Director of Beiren Printing Machinery Holdings Limited since July 2005. Mr. Yang 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 35, 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 has been appointed as Director of Beiren Printing Machinery Holdings Limited since January 2009. Mr. Duan Yuangang has extensive experience in financial management.

Xu Wencai, Chinese nationality, male, aged 52, 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 48, 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-chairman and President of China Jiujiu Industrial Co., Ltd.

Xie Bingguang, Chinese nationality, male, aged 54, Independent Non-executive Director, an LL.M., 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 35, 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 in (曾福成會計公司) 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.

Mr. Wang Liansheng, Chinese nationality, male, aged 51, Chairman of the Supervisory Committee, is a degree holder and a senior political engineer. Mr. Wang had been the Head of Promotion Department of Party Committee and the Supervisor of Party Committee Office of Beiren Group Corporation, the Assistant to Head of Production Plant of Web-fed Offset Press Branch of the Company, as well as the Head of Promotion Department of Party Committee of Beiren Group Corporation and the Company. Mr. Wang started working in Beiren Printing Machinery Holdings Limited from April 1981. He is currently the Deputy Secretary of Party Committee and the Secretary of Disciplinary Committee of the Company. He has been appointed as the Supervisor of Beiren Printing Machinery Holdings Limited since November 2009. Mr. WANG has years of experience in corporate management.

Guo Xuan, Chinese nationality, male, aged 39, 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. He has been appointed as the Supervisor of Beiren Printing Machinery Holdings Limited since July 2008. Mr. Guo has experience in human resources management and corporate management.

Shao Zhenjiang, Chinese nationality, male, aged 36, 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 Singlesheetfed Offset Printing Presses Branch of Beiren Printing Machinery Holdings Limited. He has been appointed as the Supervisor of Beiren Printing Machinery Holdings Limited since July 2008. Mr. Shao 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)*

Jiao Ruifang, Chinese nationality, female, aged 32, 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 has been appointed as secretary to the Board of Directors of Beiren Printing Machinery Holdings Ltd since March 2007. 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 51, Deputy General Manager, a senior engineer of professor grade. He graduated from Xi'an University of Technology 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, and Plant Manager of No.5 Printing Machine Factory. He was General Manager of Beijing Beirenfuji Printing Machinery Company Limited; and was CEO and Chairman of Haimen Beirenfuji Printing Machinery Company Limited; Mr. Kong started working in Beiren Printing Machinery Holdings Limited from July 1982. He is currently General Manager of Singlesheet-fed Offset Printing Press Branch. He has been appointed as Deputy General Manager of Beiren Printing Machinery Holdings Ltd since March 2007. 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 2007. He has years of experience in product design and corporate management.

Liu Jing, Chinese nationality, male, aged 53, 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 been appointed as Deputy General Manager of Beiren Printing Machinery Holdings Ltd since March 2007. Mr. Liu 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
Zhao Guorong	Beiren Group Corporation	General Manager	2009-7-13		Yes

### Positions in Other Entities

Name	Name of shareholder 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

## (III) Remunerations of Directors, Supervisors and Senior Management

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.
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.
Actual payment to the remuneration of the Directors, Supervisors and senior management	"Changes in the shareholding and remuneration of the Directors, Supervisors and senior management" (see chart).



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### (IV) Changes in Directors, Supervisors and Senior Management

Name	Position	Situation	Reason of leaving
Zhao Guorong	Vice-chairman	Election and Appointment	Additional director at the general meeting, Vice-chairman elected by the Board, Additional committee member of the Strategic Committee at the meeting of the Board.
Wang Liansheng	Chairman of the Supervisory Committee	Election and Appointment	Additional supervisor at the general meeting, vice-Chairman at the meeting of the Supervisory Committee.
Bai Fan	Director	Appointment	Additional committee member of the Nomination Committee at the meeting of the Board.
Deng Gang	former Vice-chairman	Leave the post	Resigned as vice-chairman of the Board, Director, Committee Member of the Strategic Committee and Committee Member of the Nomination Committee of the Company due to personal reasons.
Yu Baogui	Director	Leave the post	Resigned as Director because he has reached the retirement age.
Xiao Maolin	Chairman of the Supervisory Committee	Leave the post	Resigned as Supervisor because he has reached the retirement age.

Explanations:

- The resolution in respect of the election of Mr. Zhao Guorong as the additional non-executive director of the Sixth Board of Directors of the Company (with a term of office starting from the date of this EGM up to 13 July 2011); and the resolution in respect of the election of Mr. Wang Liansheng as additional supervisor of the Sixth Supervisory Committee of the Company (with a term of office starting from the date of this EGM up to 13 July 2011) were considered and approved at the Second Extraordinary General Meeting of 2009 on 3 November 2009. The resolution in respect of the election of Mr. Zhao Guorong as the Vice-chairman of the Sixth Board of Directors of the Company, and the resolution in respect of the election of Mr. Zhao Guorong as the additional committee member of the Strategic Committee of the Board of the Company were considered and approved at the third extraordinary meeting of the Sixth Board of Directors of the Company. Mr. Wang Liansheng was elected as the Chairman of the Sixth Supervisory Committee of the Company at the Ninth Meeting of the Sixth Supervisory Committee of the Company. The above-mentioned matters were disclosed at "Shanghai Securities Daily", the website of the Shanghai Stock Exchange <http://www.sse.com.cn> and the Stock Exchange of Hong Kong Limited <http://www.hkexnews.hk> on 4 November 2009.
- The proposal in respect of the nomination of Mr. Bai Fan as member of the Nomination Committee of the Board was considered and approved at the 14th meeting of the sixth Board of Directors of the Company. This matter was disclosed at "Shanghai Securities Daily", the website of the Shanghai Stock Exchange <http://www.sse.com.cn> and the Stock Exchange of Hong Kong Limited <http://www.hkexnews.hk> on 28 July 2009.
- Mr. Deng Gang has resigned as non-executive Director, Vice chairman of the Board, Committee Member of the Strategic Committee and Committee Member of the Nomination Committee of the Company with effect from 20 July 2009 due to personal reasons. This matter was disclosed at "Shanghai Securities Daily", the website of the Shanghai Stock Exchange <http://www.sse.com.cn> and the Stock Exchange of Hong Kong Limited <http://www.hkexnews.hk> on 22 July 2009.
- As Mr. Yu Baogui has reached the retirement age, he tendered his resignation to the Board to resign as director of the company. The Board of the Company fully respected the decision of Mr. Yu Baogui and consented to his application for resignation with effect from 30 October 2009. This matter was disclosed at "Shanghai Securities Daily", the website of the Shanghai Stock Exchange <http://www.sse.com.cn> and the Stock Exchange of Hong Kong Limited <http://www.hkexnews.hk> on 31 October 2009.
- As Mr. Xiao Maolin has reached the retirement age, he has tendered his resignation to the Supervisory Committee of the Company to resign as Supervisor and Chairman of the Supervisory Committee. The Supervisory Committee of Company fully respected the decision of Mr. Xiao Maolin and consented to his application for resignation with effect from 3 November 2009. This matter was disclosed at "Shanghai Securities Daily", the website of the Shanghai Stock Exchange <http://www.sse.com.cn> and the Stock Exchange of Hong Kong Limited <http://www.hkexnews.hk> on 12 September 2009 and on 4 November 2009.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## (V) Details of the Staff

Total number of existing employees	2,036	Number of retired staff who incurred expenses of the Company	2,558
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### Professional

Professional type	Number of persons
Production staff	1,090
Sales staff	106
Technical staff	211
Financial staff	40
Management staff	257
Others	332

### Educational Background

Education level	Number of persons
Master's degree	36
University graduates	277
Associate degree	439
Secondary technical graduates	115
Senior high school graduates	357
Technical school graduates	471
Professional school graduates or below	341

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (I) Corporate Governance

During the reporting period, the Company has in accordance with the Company Law, Securities Law and other laws and regulations and requirements of regulatory authorities, formulated and revised the Articles of Association, Rules of Procedure for the Board of Directors, Rules of Procedure for the Supervisory Committee, Framework of the Work on Annual Report of the Audit Committee of the Board of Directors after taking into consideration the actual situation of the Company. It also completed the formulation of its internal control system in accordance with the requirements under the Basic Criteria for Corporate Internal Control promulgated by the Ministry of Finance and the five commissions of CSRC. This has effectively reinforced the governance structure and management system of the Company and ensure the compliant implementation of corporate governance in different areas.

During the reporting period, 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, organizations 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 Work system for Independent Directors.

#### 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.

# CORPORATE GOVERNANCE AND GOVERNANCE REPORT

## (I) Corporate Governance *(Continued)*

### 7. Completion status of governance rectification of the Company during the reporting period

No.	Rectification of governance issues completed during the year			
	Description			
Jing Zheng Gong Si Fa [2009] No. 94	The Company has conducted self-examination in accordance with the requirements of the Beijing Securities Regulatory Commission (BSRC) "Notice on Self-examination and Rectification Work by Listed Companies in Beijing Jurisdiction in respect of Shares in the Company held by Directors, Supervisors and Senior Management" (Jing Zheng Gong Si Fa [2009] No. 94), and has discovered no incidents of violative tradings in the shares of the Company by its Directors, Supervisors and Senior Management. It has also strictly implemented the "Rules on Shares in Listed Companies held by Directors, Supervisors and Senior Management and Management of Changes" promulgated by China Securities Regulatory Commission ("CSRC") in strict compliance with the requirements.			
Jing Zheng Gong Si Fa [2009] No. 84	The Company has rationalised governance issues discovered during the special activities on corporate governance of the Company in accordance with the requirements of "Notice on Corporate Governance Work by Listed Companies in the Beijing Jurisdiction for 2009" (Jing Zheng Gong Si Fa [2009] No. 84) promulgated by BSRC, and only the issue of inconsistency between building and land was not resolved. Other issues discovered during the governance process were rectified in 2008, and there were no new issues discovered.			
Rectification of governance issues uncompleted during the year				
Description	Person in-charge of rectification	Reason for uncompleted rectification	Current status of rectification	Committed time of rectification completion
Inconsistency between building and land	Pang Liandong, Zhao Guorong	Under the current policy, the issue can only be resolved by the Company purchasing the land owned by the major shareholders, or the major shareholders purchasing the properties of the Company. However, a complete proposal has not been finalised so far.	Under discussion	30 September 2010

## (II) Independence and Completeness Between the Company and the Controlling Shareholder with Respect to Business, Personnel, Assets, Organisation and Finance

	Independent and complete or not	Description
Business	Yes	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	Yes	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	Yes	The Company has independent and complete systems for production, supply and sales, and the ancillary facilities.
Organization	Yes	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	Yes	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.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (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 semi-annually. 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.

### (IV) Self Assessment Report on the Company's Internal control

#### 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 behaviours, 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.

##### (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) Self Assessment Report on the Company's Internal Control *(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 behaviours violating legal regulations and harming the Company and its shareholders' interests while implementing company duties, as well as to monitor 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.

##### (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.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (IV) Self Assessment Report on the Company's Internal Control *(Continued)*

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

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

##### (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.

Each business segment covered by the Company's internal control system has a corresponding table of duties and power allocation which makes a clear division of duties and power.

##### (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.

##### (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. The Human Resources Management System was further enhanced when the Company formulated the complete internal control system in 2009. 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 Beiren Printing Machinery Holdings Limited, Singlesheet-fed Offset Printing Presses Branch and Webfed Offset Press Branch and all their staff.

The Company values its human resources and adopts a human-oriented approach as the basis of human resources management. The human resources policies of the Company cover human resources planning, responsibilities and qualification of positions, recruitment, training, assessment, remuneration, labour relationship and other human resources related activities and procedures. Each human resources policy of the Company is formulated on the basis of the human-oriented philosophy in combination with logical procedures and regulations, with the aim of guiding the staff to implementing the Company's operation objectives with scientific and logical policies. 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.

The capability of staff refers to the techniques, know-hows and personal characters that are required to complete a task. It is the fundamental prerequisite to ensure the sound accomplishment of duties by the staff and the normal roll-out of the Company's operations. During the process of complete establishment of the Company's internal control system in 2009, the Company has amended and enhanced the job manual for all staff levels in the departments and branches of the Company, which defines the scope of duties and authority of staff. Simultaneously, the Company has also launched the Beiren ELN Training Programme during the reporting period, which delivered all-rounded management visions and skills training to management staff above the middle level.

## (IV) Self Assessment Report on the Company's Internal Control *(Continued)*

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

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

##### (6) **Corporate culture, anti-fraudulent system and social responsibility 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.

Anti-fraudulent system refers to a series of consolidated preventive or eradicated measures that are adopted before fraudulent events has happened or occurred. In other words, it involves promoting corporate culture of appreciating the education of occupational ethics; creating suitable condition to help staff alleviate their pressure; strengthening the punishment for fraudulent acts and establishing a system of punishment. Anti-fraudulent efforts are scientifically managed through the four segments of planning, implementation, assessment and rectification. Planning is the detection of risk-points and formulation of preventive measures. Implementation refers to the careful execution of all anti-fraudulent measures. Assessment involves inspecting the status of implementation of the anti-fraudulent measures. Rectification means the correction of any existing problem and enhancement of the preventive measures based on the assessment results.

Social responsibility of enterprises refers to the important responsibility of enterprises in not undermining the benefits of its staff and the social public while it develops and grows. Beiren is devoted to fulfilling its social mission as an enterprise, and in its process of growth as an enterprise, it is concerned with the performance of its enterprise social responsibilities apart from its financial results and performances. Upholding the philosophy of corporate culture management as the guidance and taking its operation objectives as the goal, the Company is continuously increasing its input to the areas of environmental protection, social ethic and public interests, and it publishes its performance of enterprise social responsibilities in the report of listed companies.

#### (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 200, by taking the opportunity of the complete formulation of the Company's internal system, 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 a number of special risk-analysis meetings, based on which a risk database containing 111 risk points was formed after repeated elimination and selection. The Company categorises these risk points into three tiers for control, namely, significant risk points, moderate risk points and general risk points, and different control measures with different foci are implemented accordingly.

The new internal control system of the Company contains a risk control sub-register which sets out the risk control objectives and principles of the Company and implements tiered control of potential risks of the Company. The Company has also set up three tiers of risk assessment and control levels which effectively enhanced the Company's risk assessment and prevention system and significantly increased its capacity of risk prevention.

#### (3) **Control activities**

The Company's new internal control system includes six sub-registers: internal control framework sub-register, environment of control sub-register, risk assessment sub-register, control sub-register, information and communication sub-register, and supervision sub-register. Among these, the control sub-register covers 17 key business segments: marketing module, inventory module, production management module, budget module, investment module etc. These key business segments in turn contains 111 risk points, each of which are addressed by a corresponding control measure. All these have effectively enhanced the control of the Company over its operation activities and risks.

According to its internal control system, the Company regularly carries internal assessment. 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.



## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (IV) Self Assessment Report on the Company's Internal Control *(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 labour 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.

###### (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 labour 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.

## (IV) Self Assessment Report on the Company's Internal Control *(Continued)*

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

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

##### (6) Budget control *(Continued)*

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.

##### (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.

The Company set up an effective information sharing system based on its information communication channels. As to the design of external and internal communication channels, the Company realised the effective and efficient transmission between external information and the associated departments of the Company. Both vertical sharing of internal information between different levels and horizontal sharing between parallel departments are effective. Smooth channels for upward, downward, parallel, external/internal information transmission are established. 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 established a risk database which facilitated the effective risk control of the Company and provided a platform for reducing relevant risks at a controllable level. The Company effectively exercised control of information and communication.

#### (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. An audit supervision sub-register is set up with the internal control system of the Company, which defines the duties and authority in internal supervision of internal audit organization, and regulates the procedures, methods and requirements of internal supervision.

During the reporting period, the Board of Director of the Company and its Audit Committee conducted extensive internal assessment and inspection and provided relevant reports to the management and the Board of Directors. After discussion by the Board of Directors and the management of the Company, rectifications were made on the related risk issues within a timeframe so that occurrence of the corresponding risks of the Company was effectively avoided.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (IV) Self Assessment Report on the Company's Internal Control *(Continued)*

#### 3. Implementation of internal control system

##### (1) Establish the Company's internal control system as required by the five commissions

At the beginning of 2009, the Company commenced its planning work in respect of the internal control project, and adequately communicated with consultants, external experts and external audit companies and listened to their advices on the system design and structure. At the same time, the internal management of the Company has unanimously passed the proposal for the internal control system of Beiren Printing Machinery Holdings Limited after repeated in-depth and detailed discussion.

In February 2009, the Company convened the commencement meeting for the establishment of internal control system and established a project leadership group, an execution group and a working group for the establishment of the internal control system, which will conduct adequate investigation and analysis to the internal control situation of Beiren in three different levels. The Investigation and Analysis Report on the Internal Control of Beiren was compiled to locate existing key issues of the Company and formed a foundation for identification of key risks during the establishment of the internal control system.

During the process of formulating the internal control system, the Company has conducted project communication meetings every week. During the reporting period, 21 internal control communication meetings were held, which have been passed at 5 management office meetings after discussion and consideration. In June 2009, the full text of Beiren's internal control system file was finally approved after consideration and was successfully approved by the Board of Directors after consideration.

On 29 June 2009, the Company officially held the announcement meeting for Beiren's internal control system, which represented the official implementation of the system.

During the third quarter of 2009, large-scale tiered training was conducted with a focus on the Company's internal control system for the effective promotion and implementation of the system. In October, the Company carried out extensive internal assessment for the preparation of the report on internal assessment which was submitted to the management and the Board of Directors. After discussion by the Board of Directors and the management of the Company, rectifications were made on the related risk issues within a timeframe so that occurrence of the corresponding risks of the Company was effectively avoided.

##### (2) Internal control system

The Company's new internal control system includes six sub-registers: internal control framework sub-register, environment of control sub-register, risk assessment sub-register, control sub-register, information and communication sub-register, and supervision sub-register. Among these, the control sub-register covers 17 key business segments: marketing module, inventory module, production management module, budget module, investment module etc. These key business segments in turn contains 111 risk points. Each control module file defines the business scope, key business risk points, control measures and proposals, responsible departments, authorisation system, business flow and the related addendum files and records. The internal control system clearly provides for the risks and control measures of the corresponding business, and effectively ensures the Company's assets safety, business compliance and the trueness and reliability of the financial report.

#### 4. 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 fulfil 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 behaviours and behaviours harming shareholders' interest, as well as the Company's internal control.

2 Evaluation of Internal Audit. The auditing department of the Company exercised the internal control system independently for the effective execution of the power of auditing and supervision, organised and established the inspection and assessment group for the implementation of internal control system, devised the complete assessment standards and proposals, earnestly commenced the internal inspection and assessment over the internal control system of the Company that had come into force since 1 July 2009, conducted on-site inspection and objective assessment of the implementation of the internal control system by each unit under the Company. The internal auditing and supervision system was established and perfected based on the above, which ensures the effectiveness of the continuous supervision of the Company's internal control system in the future.

## (IV) Self Assessment Report on the Company's Internal Control *(Continued)*

### 4. Self assessment on the effectiveness of the implementation of the Company's internal control system during the year *(Continued)*

#### (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 2009 in accordance with the control system standard was deemed effective.

### 5. 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 strengthen the training efforts on the internal control system and increase the depth of training for cultivating a culture internal control in the Company.
- (3) 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.
- (4) To enhance the Company's ability and further differentiate the internal control database and business risk control procedures to prevent all types of risks through comprehensive implementation of the internal control system.
- (5) 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

To establish a complete internal control system with effective implementation is the responsibility of the Board of Directors and the 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 considers 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.

This report was considered and approved at the Eighteenth Meeting of the Sixth Board of Directors on 18 March 2010. 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.

**Beiren Printing Machinery Holdings Limited**  
*The Board of Directors*

18 March 2010

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (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/2009A4009-11

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 2009 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 risky.

We consider, the Company maintained effective internal control related to its financial statements in all material aspects based on the standards established in accordance with the requirements on internal control of the Ministry of Finance as at 31 December 2009.

**ShineWing Certified Public Accountants**  
**PRC Certified Public Accountant: Huang Ying**  
**PRC Certified Public Accountant: Ma Chuanjun**  
Beijing, PRC  
18 March 2010

### (VII) Report on Performance of Social Responsibility by the Company

#### Report on social responsibility 2009

##### 1. Overview of social responsibility

As an "A+H" company, Beiren Printing Machinery Holdings Limited has been strictly complying with the principle of trustworthy, responsible and lawful operation. While pursuing economic benefits and protecting the interests of its shareholders, the Company is devoted to protecting the legal interests of its creditors and staff. Upholding the corporate mission of "sophisticated production to equip the world", a core value of "combination of technologies and techniques with trust and integrity" and a sales philosophy of "honesty and vision to create a win-win situation", the Company is committed to the stringent implementation of a quality pursuit of "providing customers with excellent printing equipments through realising leadership with technological advancements, achieving assurance with quality, adopting a people-oriented approach, incessantly improving the core competitiveness of the company, working for zero-defect quality", which in turn reinforces the exchange and communication with the suppliers, customers and partners. The Company is disposed to assume its due responsibilities in building a harmonious corporate and accelerating the overall sustainable development of society.

In 2009, the Company continuously perfected its governance structure as a legal person to regulate the operation of the Company, enhanced its internal control system, strictly complied with the related requirements of CSRC, meticulously performed its corporate responsibilities, protected the interests of its shareholders and creditors. In face of the impact caused by the financial crisis and the shrinkage of the printing machinery market, the Company strictly complied with the Labour Laws and the Articles of Association of the Company and protected the legal interests of its staff in accordance with the related laws through no production halt and no staff cut to ensure that the benefits and remuneration of its staff would not decrease, organisation of different caring activities to listen to the thoughts of its staff. The Company reinforced the cooperation with its suppliers to establish a healthy and effective quality control system and focused on the enhancement of product quality, which have earned the Company the awards of "National Trustworthy Printing Machinery Enterprise Award", "A Class Tax Credit Enterprise", "Outstanding Informatisation Company in Beijing Manufacturing Industry", "Contributing Unit in Chaoyang District, Beijing for Proportionate Employment of the Disabled 2008". The Company proactively nominated female militia of the Company to participate in the 60th anniversary of National Day military parade, community welfare activities, caring education sponsor activities etc to help contribute actively to the construction of a "harmonious society".

## (VII) Report on Performance of Social Responsibility by the Company

(Continued)

### 2. Report of performance of social responsibility

During the reporting period, the Company has strictly complied with the requirements of the Company Law, the Securities Law, the Listing Rules and other laws, rules and regulations, and has continuously perfected its governance structure as a legal person to regulate the operation of the Company and enhanced its internal control system, which became effective on 1 July 2009 officially. At the same time, the Company carried out real-time control and inspection of 111 significant risk points and perfected and rectified issues discovered in a timely manner. The Company has established a corporate governance system that is founded on the Articles of Association and structured on the Rules of Procedure for the General Meeting, Rules of Procedure for the Board of Directors, Rules of Procedure for the Supervisory Committee and Code of Practice for General Managers, and a decision-making, supervisory and operative system that takes the general meetings, Board of Directors, supervisory committee and the management as the principal bodies.

The Company has convened and held its general meetings in strict compliance with the requirements of the Company Law, the Rules for General Meetings of Listing Companies, the Listing Rules, the Articles of Association, the Rules of Procedure for the General Meeting, on which lawyers were invited to witness and the minutes of the meetings were duly recorded, in order to ensure the full exercise of the rights of all shareholders.

The Company has been strictly complying with the related requirements of the Listing Rules, the Articles of Association and the Regulations on Information Disclosure Management, for the true, accurate, complete, timely and fair disclosure of the related information, and there has been no incident of selective information disclosure. Through active telephone communication, company website, reception of investors and other ways, the Company has ensured the rights of knowledge of its investors to promote the constructive communication between the Company and its investors in order to build a favourable market image of the Company.

### 3. Interests of staff

- (1) In accordance with the requirements of the laws, rules and regulations, the Company has procured for the retirement, medical, unemployment, work-related injury, maternity and insurances as well as public housing fund, and fully paid for insurance premiums as they became due and performed its duty of withholding and collection according to the laws. The Company made announcements on the payment of social insurances and accepted the supervision of its staff.
- (2) The union fully performed the duty of representing the interests of the staff, and union and staff representatives were involved in formulating, revising or determining the regulations and systems or significant matters that were immediately related to the direct interests of the staff. As one of the “200 trial points” unit in Beijing Municipal, the Company has implemented the detailed rules of implementation of the Labour Contract Law, signed the Collective Contract and participated in the determination and control of the total labour cost in Beijing Municipal as a reform trial point, with the aims to further define the benefits and rights of its staff, and to extensively listen to the opinion and suggestions of its staff and accept the supervision of its staff by ways of rational suggestions and corporate newspaper etc.
- (3) In respect of staff training, the Company has established an effective training system, implemented staff quality training and special skills training, established staff and career development path, adopted various forms of training to enhance staff capabilities. The staff quality program was promoted to build a qualified staff team and training activities based on the theme of “on-the-job learning, on-the-job training, on-the-job contribution” were launched. The Company has formulated an incentive system to award employees who have attained technical qualifications, and in 2009, 91 employees attaining technical qualifications were rewarded, including 3 senior technicians, 59 technicians and 29 senior workers, and a total award amounting to RMB79,500 was made. The formulation and realisation of the system has significantly increased the passion for learning and training of the front-line employees. The Company has sent 19 representatives to participate in the Beijing region selection contest for four job types in the Third National Professional Skill Contest, of which 10 representatives successfully entered the finals of the Beijing region after going through the heats and semi-finals.
- (4) The Company has commenced the “Subsidised education in Beijing” program to help employees solving their actual problems. The Company has released subsidies in the amount of RMB76,900 to 80 employees whose children has entered universities, which included applying for the Jinqiu Subsidy of Beijing Municipal for 4 employees in financial difficulty to address their actual problems.
- (5) The Company has well performed the works related to staff welfare and mutual aid insurance. As at the end of 2009, there were 1,118 person-times participating in female staff mutual aid insurance, major illness insurance, hospitalisation insurance, with the total insurance coverage amounting to RMB65,158; in 2009, there were 19 insurance claims and the compensation amount approximated RMB30,000.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (VII) Report on Performance of Social Responsibility by the Company

(Continued)

#### 3. Interests of staff (Continued)

- (6) The Company organised rich and diversified cultural and sports activities to enrich its corporate culture. The calligraphy, painting and photography exhibition received from the staff 268 pieces of work in total. The Company launched the mountain-climbing competition and selected the winning employees to participate in the mountain-climbing competition of its holding company, who achieved the outstanding result of first runner-up in group competition. To celebrate the 60th anniversary of the establishment New China, the Company organised an art performance entirely written, directed and acted by the staff of Beiren, which achieved successful completion. Outstanding sessions were also selected for performance for the Company's sales agents and were warmly received.

#### 4. Interests of suppliers and customers

The Company's successful establishment of a win-win situation in terms of quality was founded on the long-term strategic cooperation with its customers and suppliers. Under the lack of alleviation from the impact of the financial crisis on the market economy environment in 2009, the Company focused on its objectives of quality and supply and reinforced the formulation of different systems, which strengthened its management and control over the quality and supply cycle of products, and enabled the continuous concern and improvement of product quality. The Company stepped up the management and exchange with the suppliers and enhanced the supplier's cycle and quality level, in order to ensure production of products that would meet the market demand.

- (1) Stringent control of the quality and price of cooperation parts procurement. The Company implemented categorised management of cooperation parts procurement based on the market pricing system and the features of the product in order to exercise control over the quality and price of procured parts. The Company incessantly enhanced the supplier quality assurance system and the market price comparison system, in order to achieve mutual benefits and mutual development.
- (2) Collection of customer opinion through bilateral visits and communication with major customers, regular customer satisfaction survey and other channel, in order to timely understand the demand and view of its customers and make improvements in response to the customer feedbacks.
- (3) Reinforcement of formulation of the quality enhancement and preventive management system to achieve breakthroughs in product reliability. The quality enhancement procedures were reinforced and the incentive efforts were enhanced. The Company increased the motivation for staff participation in quality enhancement. The research and development of new products was conducted in accordance with the IPD model for the overall research and development strategy and product assessment. The Company organised targeted market research and survey to collect and analyse market feedback on unusual quality issues for the timely implementation of quality enhancements.
- (4) Customer-oriented approach to meet customers' specific needs. In the course of providing its customers with printing equipment, the Company is committed to providing its customers with one-stop printing solutions for its customers to meet the specific needs of different printing companies, and has successively provided to People's Daily, Tianjin Daily, 江蘇報業集團 and other press and printing units in accordance with their quality and quantity specifications to procure the printing needs of newspapers, and was highly commented by its customers.

#### 5. Public welfare and care works

In 2009, Beiren was named as Advanced Safety Unit, Outstanding Insurance Management Unit, Harmonious Labour Relationship Model Enterprise, and Advanced Statistic Body by the Development Zone.

To celebrate the 60th anniversary of the nation, the Company has actively selected 7 female staff to participate in the National Day female militia military parade, in which the 7 female militia marched before the Party and government leaders and the people of the country. The 7 female staff were awarded merits.

The Company actively organised care donation activities for poor groups in society and staff in extreme economic difficulties of the Company, and the two activities have raised over RMB50,000 in total.

Before the Chinese New Year, Beiren donated over RMB140,000 for aids in real and in cash for 170 model workers, retired officers, elder leaders and staff in economic difficulties.

In face of the impacts of the financial crisis on the market of printing machinery, Beiren strives to incessantly effort for the operation objectives of the year 2010 through providing to its customers more products with enhanced performance/cost ratio and through controlling its expenses to lower its costs, and at the same time undertaking more social responsibilities.

# CORPORATE GOVERNANCE AND GOVERNANCE REPORT

## (VIII) Establishment of the Investigation System of Responsibility for Significant Errors of Information Disclosure in the Annual Report

After the consideration and approval at the Eighteenth Meeting of the Sixth Board of Directors, the Company has established the Investigation System of Responsibility for Significant Errors of Information Disclosure in the Annual Report, which will stringently investigate in accordance with the system, the responsibility of related staff who have caused significant errors of information disclosures in annual reports due to the failure to perform or correctly perform their duties and obligations in the course of information disclosure in annual reports.

During the reporting period, there were no incidents of amendment of significant accounting errors, supplement of significant information omission and amendment of results forecast.

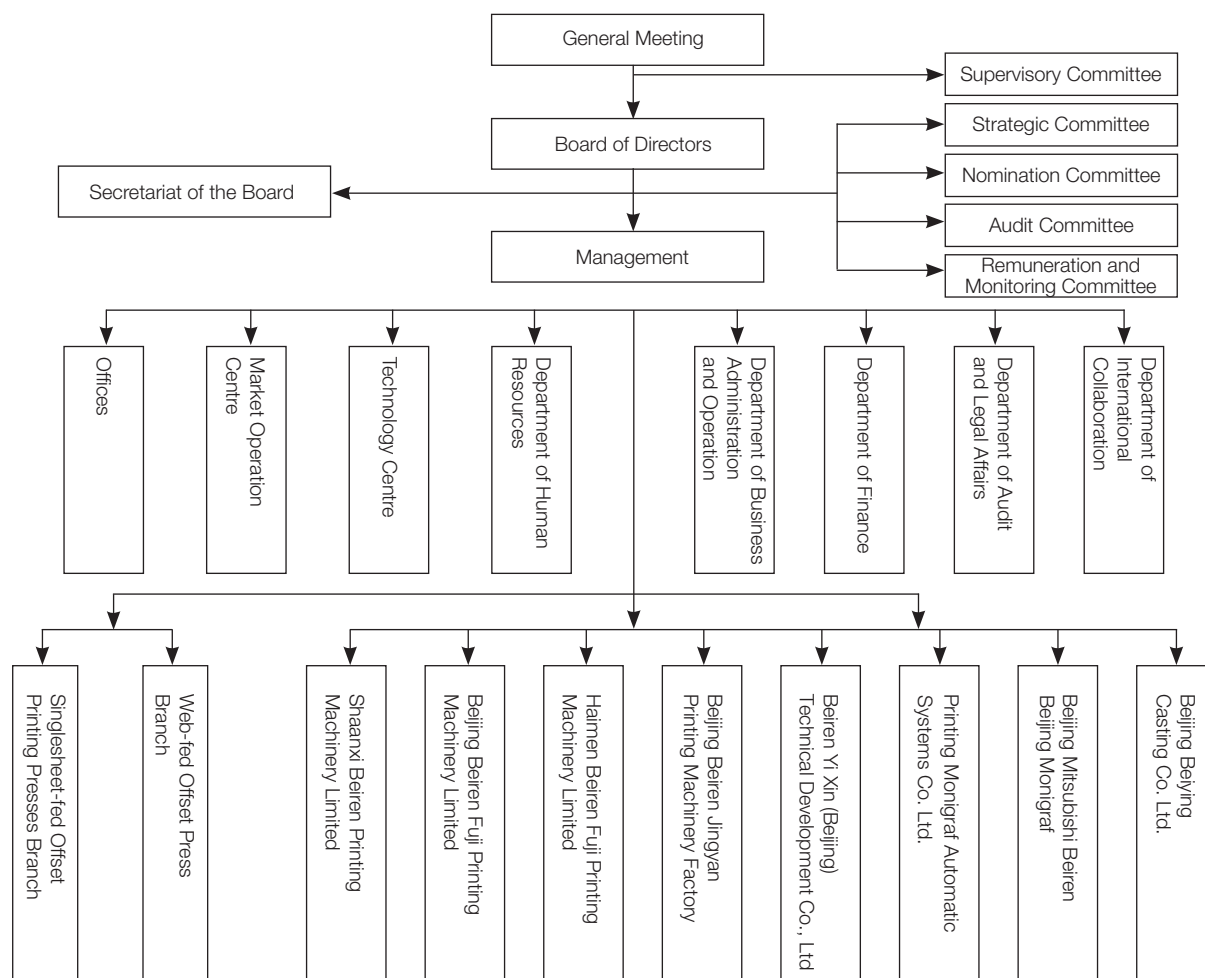
## (IX) Corporate Governance Report

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

## (IX) 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 director

Zhao Guorong	Vice Chairman
Bai Fan	Non-executive director

#### Independent non-executive director

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

#### Note:

As Mr. Yu Baogui has reached the retirement age, he has tendered his resignation to the Board of Directors of the Company to resign as director of the Company. The Board of Directors fully respected the members of the decision of Mr. Yu Baogui and consented to his application, which became effective on 30 October 2009. The other members of the Board of Directors of the Company will continue to perform their duties and the additional of director after the resignation of Mr. Yu Baogui is intended take place at the annual general meeting for 2009.

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 postdoctorate 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.

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. Performance of duties by directors

Attendance of directors at the Board meetings

Name of director	Independent director or not	Required attendance during the year	Attendance in person	Attendance by communication equipment	Attendance by proxy	Absence	Absence from two consecutive meetings or not
Pang Liandong	No	12	12	7	0	0	No
Zhao Guorong	No	1	1	0	0	0	No
Bai Fan	No	12	11	7	1	0	No
Zhang Peiwu	No	12	12	7	0	0	No
Yang Zhendong	No	12	12	7	0	0	No
Duan Yuangang	No	12	12	7	0	0	No
Xu Wencai	Yes	12	12	7	0	0	No
Wang Hui	Yes	12	12	7	0	0	No
Xie Bingguang	Yes	12	10	7	2	0	No
Wang Deyu	Yes	12	11	7	1	0	No

Note: Mr. Zhao Guorong is the additional director elected at the extraordinary general meeting of the Company convened on 3 November 2009.

## (IX) Corporate Governance Report *(Continued)*

### 2. Performance of duties by directors *(Continued)*

Number of board meetings convened during the year	12
Among which: number of meetings convened on-site	5
Number of meetings convened by communication equipment	7
Number of meetings convened on-site and by communication equipment	0

### 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.

### 4. The establishment and completeness, principal details of the work system of independent directors and the performance of duties by the independent directors

- (1) The work system of independent non-executive directors: In accordance with the relevant requirements of the SRC and the Company, the Company has established the Work system of Independent Non-executive Directors and the Annual Report System of Independent Directors.
- (2) The principal details of the work system of independent non-executive directors: The work system of independent non-executive directors of the Company principally provides for the work of independent non-executive directors in terms of the general requirements, qualification, independence, the nomination, election and change of independent non-executive directors, obligations and rights. The Annual Report System of Independent Directors principally requires the independent non-executive directors to understand the operation of the Company, maintain communication with and supervise and monitor the annual audit accountant etc.
- (3) Performance of duties by the independent non-executive directors: independent non-executive directors of the Company include accounting, legal, management, technical and other experts, forming reasonable personnel and professional structures. Upholding their responsibility to all shareholders and complying with the requirements of laws and rules, the independent non-executive directors diligently fulfilled their duties and participated in the general meetings and board meetings of the Company actively and earnestly, proposed plans and strategies for the long-term development and management of the Company, and made professional independent opinions as to the significant matters of the Company such as the election of directors, connected transactions, appropriation of capital by major shareholder and external guarantees, imposing constructive effects on the scientific decision-making by the Board of Directors, governed operation and development of the Company and practically protecting the interests of the minority shareholders. During the reporting period, the independent non-executive directors have issued independent opinion in respect of changes in directors of the Company, changes in senior management, ordinary connected transactions, acquisition of assets, external guarantees of the Company and non-public issues. Subsequent to the end of the accounting year, the independent non-executive directors has listened to the report of the management of the Company on the operation and the progress of significant events, and conducted on-site investigation. Prior to the commencement of the audit by the annual audit CPA, the independent non-executive directors communicated with the financial manager in respect of the annual audit arrangements. During the audit of the annual report, the independent non-executive directors focused on the continuous communications with the annual audit CPA, proposed amendments to the audit plan submitted by the annual audit accountant, convened meetings with annual audit CPA and communicated on the issues discovered during the audit process.

### 5. 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.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (IX) Corporate Governance Report *(Continued)*

#### 6. **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.

#### **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.

#### 7. **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.

##### (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:

23 February 2009, meeting on external environment analysis.

19 June 2009, meeting on product portfolio analysis.

11 October 2009, meeting on "11-5" strategic assessment.

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

Name	Description	Required attendance in 2009	Actual attendance
Pang Liandong (Chairman of the Board)	Chairman of the Committee	3	3
Zhao Guorong (Vice Chairman of the Board)	Member of the Committee	0	0
Zhang Peiwu (Executive director)	Member of the Committee	3	3
Yang Zhendong (Executive director)	Member of the Committee	3	3
Xu Wencai (Independent non-executive director)	Member of the Committee	3	3

## (IX) Corporate Governance Report *(Continued)*

### 7. 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**

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 23 January 2009, the Audit Committee, the independent directors of the Company and the management of the Company communicated with the audit firm on the audit of the Company's 2008 financial report. 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, the 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.
- (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.
- (4) On 22 April 2009, the Audit Committee considered and approved the 2009 First Quarterly Report of the Company, which was submitted to the Board of Directors for consideration.
- (5) On 22 July 2009, the Audit Committee reviewed and approved the interim financial report 2009 of the Company. The Audit Committee reviewed the financial statements of the 2009 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 2009 of the Company. The preparation of the report was in compliance with the relevant rules and regulations and financial policies. The Audit Committee decided to submit the financial statements of the 2009 Interim Report and the report summary to the Board of Directors for consideration. The Audit Committee also reviewed and passed the resolution on provision for impairment of the Company for the half year of 2009 and submitted it to the Board of Directors for consideration.
- (6) On 20 October 2008, the Audit Committee considered and approved the 2009 Third Quarterly Report of the Company. The Audit Committee agreed to submit it to the Board of Directors for consideration.

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (IX) Corporate Governance Report *(Continued)*

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

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

##### **Work on 2009 Annual Report and communication with accounting firm**

(1) On 25 January 2010, the Audit Committee, the independent directors of the Company and the management of the Company communicated with the accounting firm for the annual auditing work for 2009. The management of the Company reported the state of operation of the Company. The Audit Committee enquired into the issues they concerned one by one. The independent directors and the management of the Company communicated with the auditor on the prepared of the 2009 Annual Report.

(2) On 11 March 2010, the Audit Committee, the independent directors of the Company reviewed the audit report issued by the accounting firm. After the review, the Audit Committee considered that:

(1) The 2009 financial report audited by the ShineWing Certified Public Accountant was accurate and reliable. The financial report fairly and accurately reflected the Company's financial position on 31 December 2009 and the operating results for 2009 and the preparation of the financial report was in compliance with the relevant laws and regulations and financial policies. (2) Given the good performance of ShineWing Certified Public Accountant and SHINEWING (HK) CPA Limited in providing service for the Company's 2009 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 2010. (3) No profit distribution plan for the year 2009 of the Company was considered and passed and was submitted to the Board of Directors for consideration. (4) The self assessment report on the internal control of the Company was considered and passed. (5) The proposal of writing-off the bad debts of the Company was considered and passed. (6) The proposal of the impairment provision of the Company for 2009 was considered and passed. (7) The plan of auditing work for 2010 was considered and passed. Resolutions (1) to (6) above were 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 2009	Actual attendance
Wang Deyu (Independent non-executive director)	Chairman of the Committee	6	6
Xie Bingguang (Independent non-executive director)	Member of the Committee	6	6
Bai Fan (Independent director)	Member of the Committee	6	6

##### **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 two meetings. Details of which are as follows:

On 24 March 2009, the Performance Assessment Contract for Senior Management for 2009 was considered and passed. The assessment results of the Performance Assessment Contract for Senior Management for 2008 was considered and passed.

On 27 July 2009, the completion of the Performance Assessment Contract for Senior Management for the first half of 2009 was considered and passed.

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

## (IX) Corporate Governance Report *(Continued)*

### 7. 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 2009	Actual attendance
Wang Hui (Independent non-executive director)	Chairman of the Committee	2	2
Wang Deyu (Independent non-executive director)	Member of the Committee	2	2
Pang Liandong (Chairman of the Board)	Member of the Committee	2	2

##### **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 six meetings. Details of which are as follows:

On 8 January 2009, the proposal in respect of recommendation of candidates of directors and supervisors to the subsidiary was considered and passed.

On 9 February 2009, the proposal in respect of recommendation of candidates of directors to the subsidiary was considered and passed.

On 9 March 2009, the proposal in respect of recommendation of candidates of directors to the subsidiaries "Mitsubishi Beiren", "Shaanxi Beiren" and "Beiren Fuji" was considered and passed.

On 3 July 2009, the proposal in respect of recommendation of candidates of chairman to the subsidiary "Beijing Zhuzao" was considered and passed.

On 22 July 2009, the proposal in respect of election of candidate of additional director to the Company was considered and passed.

On 8 September 2009, the proposal in respect of recommendation of candidates of directors to the subsidiary "Haimen Beiren" 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 election of additional directors of the Board of Directors and re-election of candidates of directors and supervisors of subsidiaries 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 2009	Actual attendance
Xu Wencai (Independent non-executive director)	Chairman of the Committee	6	6
Wang Hui (Independent non-executive director)	Member of the Committee	6	6
Bai Fan (Independent director)	Member of the Committee	1	1
Deng Gang (Former Vice Chairman of the Board)	Member of the Committee	4	4

## CORPORATE GOVERNANCE AND GOVERNANCE REPORT

### (IX) Corporate Governance Report *(Continued)*

**8. 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 the basic rules for the Company.

**9. Auditors' remuneration**

At the 2008 Annual General Meeting convened on 26 May 2009, 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 2009 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 remuneration payable to domestic and overseas auditors amounted to RMB900,000 for ShineWing Certified Public Accountants and RMB250,000 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 2009, ShineWing Certified Public Accountants has provided audit services for the Company for 3 years, and SHINEWING (HK) CPA Limited has provided audit services for the Company for 3 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 2010 at the 2009 Annual General Meeting.

**10. 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.

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

# INTRODUCTION TO THE ANNUAL GENERAL MEETING

## (I) Annual General Meeting

Session	Date	Newspaper of information disclosure for publication of resolutions	Date of information disclosure for publication of resolutions
2008 Annual General Meeting	26 May 2009	Shanghai Securities News	27 May 2009

Ordinary resolutions:

1. To consider and approve the 2008 Annual Report of the Company.
2. To consider and approve the 2008 Board of Directors' Work Report of the Company.
3. To consider and approve the 2008 Supervisory Committee's Work Report of the Company.
4. To consider and approve the 2008 Audited Domestic Auditor's Report of the Company.
5. To consider and approve the 2008 Audited International Auditor's Report of the Company.
6. To consider and approve the proposal for no profit distribution of the Company for the year 2008.
7. To consider and approve the proposal for making up the loss of the Company.
8. To consider and approve the proposal for re-appointing of ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited as the Company's domestic and overseas auditors for 2009 respectively and authorising the Board to execute agreements with them and to determine their remunerations was considered and approved;

Special resolutions:

9. To consider and approve the proposal in respect of amendments on the Articles of Association of the Company.
10. To consider and approve the proposal in respect of amendments on the Rules of Procedure for the General Meeting.
11. To consider and approve the proposal in respect of amendments on the Rules of Procedure for the Board of Directors.
12. To consider and approve the proposal in respect of amendments on the Rules of Procedure for the Supervisory Committee.

## (II) Extraordinary General Meeting

Session	Date	Newspaper of information disclosure for publication of resolutions	Date of information disclosure for publication of resolutions
The first Extraordinary General Meeting of 2009	8 January 2009	Shanghai Securities News	9 January 2009
The second Extraordinary General Meeting of 2009	3 November 2009	Shanghai Securities News	4 November 2009

### 1. Description of the first Extraordinary General Meeting of 2009:

Ordinary resolutions:

- (1) To consider and approve 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 (with a term from the date of this extraordinary general meeting to 13 July 2011).
- (2) To consider and approve the proposal in respect of remuneration of additional directors and the entering into of written contracts.

Special resolutions:

- (3) To consider and approve the proposal in respect of amendments on the Articles of Association of the Company.



## INTRODUCTION TO THE ANNUAL GENERAL MEETING

### (II) Extraordinary General Meeting *(Continued)*

#### 2. Description of the second Extraordinary General Meeting of 2009:

- (1) To consider and approve the proposal in respect of the addition of Mr. Zhao Guorong as the non-executive director of the Sixth Board of Directors of the Company (with a term from the date of this extraordinary general meeting to 13 July 2011).
- (2) To consider and approve the proposal in respect of remuneration of additional director and the entering into of written contract.
- (3) To consider and approve the proposal in respect of the addition of Mr. Wang Liansheng as the supervisor of the Sixth Supervisory Committee of the Company (with a term from the date of this extraordinary general meeting to 13 July 2011).
- (4) To consider and approve the proposal in respect of remuneration of additional supervisor and the entering into of written contract.



Mr. Pang Liandong, Chairman of the Board of the Company

## (I) Review

During the reporting period, the international economy still awaited full recovery. To mitigate the negative impact of the financial crisis, the State timely launched the Top Ten Industry Promotion Planning at the beginning of the year that covered the machinery manufacturing industry. Some of the policies were beneficial to the development of the printing machinery manufacturing industry ("Printing Machinery Industry"), but as the printing industry has passed the fast growth phase, the production capacity has exceeded the total demand in society, and the printing industry (especially the publication industry) was going through assets consolidation to assimilate the inventory assets and social capacity. Large-scale acquisitions of machineries were not expected in the short-term. Also, the printing industry is situated at the lower end of the value chain of the national economy, the economy has not fully picked up, and the book printing and press printing have shown a contracting trend, leading to a downturn in the Printing Machinery Industry. The overall operating environment for the Printing Machinery Industry remained difficult in 2009. Being a prominent company in the Printing Machinery Industry, the Company has adopted proactive measures to address the situation in the past year. However, this was not adequate in alleviating various factors such as insufficient workload and increased costs that have exerted pressure on the operation, and the Company continued to record a loss for the operating results. During the reporting period, operating income prepared in accordance with the PRC Accounting Standards was RMB767,668,600 and net loss was RMB174,004,600. Turnover prepared in accordance with Hong Kong Financial Reporting Standards was RMB748,384,000 and net loss was RMB173,674,000.

During the reporting period, the Company focused on its fundamental segments to reinforce its management and control capacity for enhancement in different aspects. Works carried out in association are as follows:

### 1. **Establishment of the Company's internal control system to reinforce the management and control capacity.**

At the beginning of the year, the Company commenced the formulation of its internal control system and established the internal control system of the Company in accordance with the requirements under the Basic Criteria for Corporate Internal Control promulgated by the Ministry of Finance and the five commissions including CSRC, Audit Office, CBRC and CIRC. The internal control system was approved upon consideration at the thirteenth meeting of the Sixth Board of Directors. The formulation and implementation of the internal control system provides the Company with a more updated and more stringent management platform which forms a sound foundation for enhancing the operation quality.

## CHAIRMAN'S STATEMENT

### (I) Review *(Continued)*

#### 2. Acceleration of new product research and development to strengthen market competitiveness

During the reporting period, the Company has in respect of new product research and development, introduced the IPD project group model in which staff from a different segments from design, technique, quality control, sales, purchasing to production management are involved. On the one hand, this model covers all segments from design to marketing of the product. On the other hand, it pools the opinion from different segments to minimize the occurrence of errors and wastage throughout the development process of the Company and to cater to the market. Currently, the IPD project group is in pilot-running for the research and development of N550 folio double multi-colour machine, and has obtained good results. The N428 sheet-work 4-colour offset machine designed by the Company was also launched on the market for sales. The BEIREN-75A medium newspaper folding machine N477 also completed trial production and passed the inspection. The domesticated production of folding machines eliminates the need to import expensive foreign products, which in turn lowers the manufacturing cost of 75A products for higher competitiveness, forming a solid foundation for the continuous growth and development of the Company.

#### 3. Establishment of effective quality inspection method to enhance product quality

Striving to enhance the Company's product quality and to strengthen its market competitiveness, the Company has formulated an economic inspection method in respect of the annual quality requirement, which has reinforced the Company's control in quality from six angles. As the quality inspection of the Company and the quality awareness of its staff were enhanced, the quality of the Company's parts all reached an inspection pass rate of 100%. Throughout the year, the Company has no incident of refund and exchange due to quality reason, and there was no material complaint on quality from its customers.

#### 4. Increase of control over subsidiaries to leverage on the synergy among the companies and to improve investment return

During the reporting period, the Company has fully increased the control over its subsidiaries through changing the leadership of the subsidiaries, carrying out project audit and listening to the duty report of the assets representatives in the subsidiaries. The operating quality and results of the subsidiaries achieved remarkable improvement.



On 10 April 2009, the Company was recognised as "Enterprise with Trustworthy Quality" in the 2009 Printing Machinery Quality Meeting



In August 2009, BEIREN75A-press with high speed web offset won the Gold Award for invention in the 18th National Invention Exhibition



### (II) Prospects

In 2009, the PRC successfully maintained an 8% economic growth rate. It is expected that the machinery industry will also recover in 2010. For specific printing machine markets, the book printing machine market is expected to realise a stable growth of approximately 3%, while the press printing machine market is expected to record a slight decrease. Under the economic recovery, the packaging machine market will maintain a growth of over 10%. As the central government adjusts the economic structure and transforms the mode of economic growth, the printing machine industry will face various pressures, including broadband economy, low-carbon economy and digital printing, and increasing overall market competition. Meanwhile, from the macroeconomic perspective, the market is subject to inflation pressure. As such, the Company may be subject to increases in energy resource and raw material prices in the coming year.

#### Key work of the Company in 2010

##### 1. The "12-5" strategic industry research

To meticulously analyse and conclude the implementation of the "11-5" strategy, proactively address the operating challenges in face, and scientifically formulate the "12-5" strategic planning. The Company has decided to conduct in-depth research in respect of the direction of development for the printing and printing machinery industries, the development trends of its competitors, the development and positioning of the core products of the Company, the development and prospect of the subsidiaries and their products as well as the overall operating model of the Company.

## (II) Prospects *(Continued)*

### Key work of the Company in 2010 *(Continued)*

#### 2. Improvement of marketing capability and enlargement of market share

The Company will reasonably adjust its marketing strategies, strengthen its market forecasting work, promptly respond to market and client information, refine its marketing areas, in order to improve its marketing capability and enhance the promotion effort of its new products, which will in turn enlarge its market share.

#### 3. Cost reduction and enhancement of profitability

The Company will implement comprehensive cost and expense reduction measures, strictly control its capital expenditure, and further reduce the inventory and assimilate overstocking products, avoid unnecessary input and cut down the consumption of materials and energy, in order to enhance the equipment and capacity utilisation and increase the gross profit margin of its products.

#### 4. Re-allocation of resources through adjustments in product structure

Through maximising the re-allocation and adjustment of existing resources, centralising the premium resources to developing the core product series, the Company efforts to achieve product enhancement and upgrade of product structure through technological and management innovations. By accelerating the speeds of new product research and development as well as market launch, the Company strives for a migration in its business and enhancement of its product structure, which in turn will improve its core competitiveness.

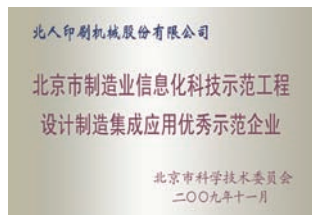
#### 5. Stringent implementation of fundamental management works

(1) To strengthen internal control, perfect the internal control system, supervise the implementation of the internal control system, establish internal control systems in subsidiaries, and reinforce the in-house training on internal control. (2) To strengthen and sophisticate the management efforts. Further lower the inventory and assimilate stock products; reduce unnecessary input; reduce consumption of materials and energy etc. (3) To continuously step up the efforts in collecting receivables and reduce the occurrence of new debts through perfecting the control over the sales process for significant improvement in the capital status of the Company and enhanced efficiency of capital use. (4) To strengthen financial control, implement centralised capital management and reinforce the control over capital of the subsidiaries. (5) To continuously strengthen the control over subsidiaries, and guide the subsidiaries in enhancing the level of management, reducing the costs and increasing their profitability.

On behalf of the Board of Directors

**Pang Liandong**  
Chairman

18 March 2010



Among the Model Projects on Information Engineering Technology for Manufacturing Industry in the Eleventh Five-Year Plan selected by the Ministry of Science and Technology, the Company was accredited as one of the Outstanding Model Enterprises in Informationalised Design, Manufacturing, Integration and Application ("Paperless Drawing (甩圖紙)") in Manufacturing Industry in Beijing

# 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 import 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"; Office and printing equipment rental.

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

In accordance with the PRC accounting standard, the Company recorded a principal operating income of RMB767,668,600, representing a increase of 1.14% compared with the previous year during the reporting period. Net loss was RMB174,004,600, representing a decrease of 33.87% compared with the previous year. Loss per share was RMB-0.41. In accordance with the Hong Kong accounting standard, turnover amounted to RMB748,384,000 representing a increase of 1.25% from the previous year. Net loss amounted to RMB173,674,000, representing a decrease of 34.57% over last year. Loss per share was RMB-0.412.



Directors, Supervisors and Senior Management of the Company after the 2008 Annual General Meeting



The branches of the Company held a business meeting to reduce their costs

## (II) Have the Company Disclosed the Profit Forecast or Operating Plan: No

## (III) 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	448,572,601.58	425,499,245.67	-34.50	2.33	13.72	Increase 3.38 percent
Intrusion printers series	233,438,692.09	191,016,579.67	-7.12	13.18	2.86	Increase 21.12 percent
Form presses series	26,685,627.24	25,344,804.67	-21.01	-38.96	-34.49	Increase 20.71 percent
<b>Total</b>	<b>708,696,920.91</b>	<b>641,860,630.01</b>	<b>-24.97</b>	<b>2.96</b>	<b>7.23</b>	<b>Increase 10.27 percent</b>

Explanation:

The reason for the negative operating profit of the Company's products was: The market has not recovered completely yet during the reporting period, and the Company controlled the volume of the input and output in order to digest the inventory. The decrease of the output caused the increase of the pre-hour cost and amortisation of fixed cost, which caused the cost of the finished products increased.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (III) The Company's Principal Businesses and their Operating Status

(Continued)

### 2. Principal businesses by geographical location

Unit: RMB

Geographical location	Operating income	Increase/decrease in operating income compared over last year (%)
Domestic	672,187,376.20	8.80
Overseas	36,509,544.71	-48.21
Total	708,696,920.91	2.96



Tianjin introduced the first BEIREN45A newspaper production line



The product launch ceremony of BEIREN 40B Web Offset Press for Newspaper was solemnly held in Bangkok, Thailand

### 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	84,983,159.67	-4,501,726.53
Haimen Beiren Fuji Printing Machinery Limited	Manufacture of printing presses machine	Quarto printing	51,000,000.00	62,470,361.95	-3,795,726.08
Beiren Yi Xin (Beijing) Technical Development Co., Ltd.	Technical development of printing presses machine		1,000,000.00	1,000,940.08	-250.42
Beijing Beiren Jingyan Printing Machine Factory	Parts for printing presses	Paper-feeding machine	21,050,000.00	28,006,314.94	-3,011,561.60
Beijing Beiren Yuxin Offset Printing Limited	Printing	Printing and packaging	22,430,000.00	43,270,047.56	-5,841,015.38
Shaanxi Beiren Printing Machinery Limited	Manufacture of printing presses	Intaglio presses	115,000,000.00	305,617,493.96	-13,758,364.02

### 4. Information on major suppliers

Unit: RMB0'000

Total procurement from the top five suppliers	5,626.99	Percentage accounting for total procurement	13%
Total sales from the top five customers	7,898.21	Percentage accounting for total sales	10.48%



The female militia sent by the Company in China's 60th anniversary military parade.



The signing ceremony of Qingdao Daily Newspaper Group for launch sign-off of BEIREN75A-press

## MANAGEMENT DISCUSSION AND ANALYSIS

### (IV) The Company's Future Development Prospects

**(1) Operating Plan for New Year**

The Company will adjust the marketing strategy reasonably, specify marketing area, and improve sales capability in 2010 to make operating income higher than last year. The revenue budget is predicted as RMB811,000,000. The Company will also control the cost, and reduce the consumption of the material consumed and energy to improve the utilization rate of the capacity and equipment. On the other hand, the Company will maximize the redistribution and adjustment of the existing resources, and focus on the superior resource to develop the core series products. The Company will strive to realize losses of the whole year, and try to remove the stock delisting risk alerts.

**(2) Has the Company compiled and disclosed the profit forecast for the New Year: NO**

**(3) The invested budget of technical improvement in 2010 is RMB8,753,500, in which the invested budget of new projects is RMB8,520,000, and the carry-over project of 2009 is RMB233,500. The invested budget will be mainly used in the update and improvement of the equipment in order to boost productivity and improve level of processing.**

### (V) The Company's Investment

	<i>RMB0'000</i>
Investment during the reporting period	100
Variation of the investment	100
Investment in the same term of the last year	0
Increase/decrease of the amount of investment (%)	100

**The invested company**

The invested company	Scope of business operations	Proportion of the equity in the invested company (%)	Remarks
Beiren Yi Xin (Beijing) Technical Development Co., Ltd.	Technological development of the pressing machines and products, technical transfer, technical consultancy, technical support and equipment leasing (excluding special approved project).	100	Beiren Yi Xin (Beijing) Technical Development Co., Ltd. Is the wholly-owned subsidiary of the Company

**1. Use of fund raised**

During the reporting period, the Company did not raise any funds, or no balance of funds raised in previous years was brought forward to the reporting period.

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

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

### (VI) State the discussion results by the Board of Directors on the reasons for and impacts of the Company's changes in the accounting policies and accounting estimates, corrections of significant accounting errors, supplementations of significant information omissions and amendments of results forecasts, as well as the measures and results of accountability of the responsible persons

During the reporting period, the Company has made no changes in the accounting policy and accounting estimates, corrections of significant accounting errors, supplementations of significant information omission and amendments of results forecasts.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (VII) Analysis of Financial Status and Business Performance During the Reporting Period

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

In 2009, total profit of the Company increased by RMB108,416,900 or 37.59% as compared with the same period last year.

- (1) Operating income increased by 1.14% while operating cost increased by 1.62% as compared with last year. Gross profit margin for the year was 9.26% while gross profit margin for last year was 9.7%. The decrease in gross profit margin was due to the drop in production volume, so that amortisation of fixed cost was relatively high.
- (2) Business tax and surcharge increased by 93.99% over last year mainly due to increase in operating income; expenditure for the period decreased by 14.64% over last year mainly due to measures taken by the Company to reduce the expenditure and costs; loss in impairment of assets decreased by 63.49% over last year mainly due to decrease of bad debts provision and provision for diminution in value of inventory; investment revenue increased by 113.96% over last year mainly due to the decrease of operating loss of associated companies.
- (3) Net non-operating income increased by 66.91% over last year, mainly attributable to the increase in government grants.

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

Total assets value amounted to RMB1,737,780,000 during the reporting period, decreased by 11.32% as compared with the beginning of the year, of which inventory, accounts receivable, prepayments decreased substantially. Total liabilities amounted to RMB994,473,600, decreased by 4.07% as compared with the beginning of the year, mainly due to decrease in short term loans and accounts payable. Total equity interest attributable to shareholders amounted to RMB743,309,000, decreased by 19.45% 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.

#### Liquidity and capital structure

	2009	2008
(1) Assets-liabilities ratio	57.23%	52.91%
(2) Quick ratio	45.94%	44.32%
(3) Liquidity ratio	97.00%	110.15%

### 4. Bank loans

The Company implemented its annual capital budget plan 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 RMB314,850,000, decreased by 12.71% as compared with the beginning of the year. Long-term loan was RMB24,000,000, decreased by 11.11% 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.

## (VIII) 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 RMB796,507,600, while cash outflow amounted to RMB675,848,000. Net cash flow during the reporting period from operating activities amounted to RMB120,659,600.



## MANAGEMENT DISCUSSION AND ANALYSIS

### (VIII) Principal Sources of Fund and Its Use *(Continued)*

#### 2. Cash flows from investment activities

Cash inflow from investment activities during the reporting period amounted to RMB434,100 which was mainly attributable to the disposal of fixed assets and recovery of other long-term assets. Cash outflow to investment activities amounted to RMB3,779,400, which was mainly used for capital expense on purchase and construction of fixed assets. The above expenditures were financed by the Company's internal resources. Net cash flow from investment activities for the reporting period amounted to RMB-3,345,400.

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

Cash inflow from fund-raising activities during the reporting period amounted to RMB414,450,000, which was mainly derived from bank loans. Cash outflow from fundraising activities during the reporting period amounted to RMB486,397,100 was mainly for repayment of bank loans and interest. Net cash flow from fund-raising activities for the reporting period amounted to RMB-71,947,100.

### (IX) 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 RMB743,309,000; of which, minority interests amounted to RMB20,446,400; and total liabilities amounted to RMB994,473,600. Total assets amounted to RMB1,737,782,500. As at the end of the year, the Company's gearing ratio was 57.23%.

#### Capital structure by liquidity

Total current liabilities	RMB958,302,900	Accounting for 55.15% of the capital
Total equity interest	RMB743,309,000	Accounting for 42.77% of the capital
of which: minorities interest	RMB20,446,400	Accounting for 1.18% of the capital

### (X) Contingent Liability

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

### (XI) Analysis of the Reasons for Major Changes in Overall Financial Position Compared with Last Year (prepared According to PRC Accounting Standards)

- Cash and cash balances increased by 59.7% compared with the beginning of the year, mainly due to the increase in efforts in the collection of goods payment by the Company.
- Bills receivable increased by 113.36% compared with the beginning of the year, mainly due to the increase in bank acceptance bill received by the Company.
- Accounts receivable decreased by 14.6% compared with the beginning of the year, mainly due to the increase in efforts in the collection of debts by the Company.
- Inventories decreased by 25.81% compared with the beginning of the year, mainly due to the control of the input and output based on the market changes and inventory digestion by the Company.
- Long-term equity investment increased by 4.3% compared with the beginning of the year, mainly due to the confirmation of the income from investment of associated companies.
- Short-term loan decreased by 12.71% compared with the beginning of the year, mainly due to the repayment of bank borrowings expiring during the year.
- Notes Payable increased by 73.75% compared with the beginning of the year, mainly due to the undue bank acceptance bill opened by the supplier.
- Receipts in advance increased by 57.41% compared with the beginning of the year, mainly due to the increase in pre-payment with order by the clients.
- Tax payable increased by 215.66% compared with the beginning of the year, mainly due to the increase in outstanding account of tax payable.
- Account payable for special item increased by 123.13% compared with the beginning of the year, mainly due to the increase in the received capital to develop new products.
- Undistributed profit decreased by 7.39% compared with the beginning of the year, mainly due to loss during the year.
- Operating income increased by 1.14% compared with the beginning of the year. Operating cost increased by 1.62% compared with the beginning of the year. Gross profit margin for the year was 9.26% while gross profit margin for last year was 9.70%. The decrease in gross profit margin was due to the drop in production volume so that amortisation of fixed cost was relatively high.
- Expenditure for the period decreased by 14.64% compared with the beginning of the year, mainly due to the measures taken by the Company to reduce the expenditure and costs.
- Impairment loss on assets decreased by 63.49% compared with the same period of last year, mainly due to decrease of bad debts provision and provision for diminution in value of inventory.
- Investment revenue increased by 113.96% compared with the same period of last year, mainly due to the decrease of operating loss of associated companies.
- Net non-operating income increased by 66.91% compared with the same period of last year, mainly attributable to the increase in government grants.

## (I) Daily Work of the Board

### 1. Details of Board Meetings and Resolutions

The Seventh Meeting of the Sixth Board was convened on 8 January 2009. (1) The resolution in respect of the election of Mr. Pang Liandong as the Chairman of the sixth Board of the Company was considered and approved. (2) The resolution in respect of the addition of Mr. Pang Liandong as the convener of the Strategic Committee and committee member of the Remuneration and Monitoring Committee of the Board of the Company was considered and approved. (3) The proposal for the adjustment of organisational structure of the Company was considered and approved. (4) The resolution in respect of the application for banking facility and loan by the Company in 2009 was considered and approved. (5) The resolution in respect of the payment for the audit fee for 2008 to ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited was considered and approved. (6) The resolution in respect of the disposal of the equipment of non-core business units of the Company including metal-plating, electroplating and sheet-coiling tools was considered and approved, and the management was authorised to carry out disposal of the above equipment at not lower than the assessment value. (7) The resolution in respect of the external delegation of directors and supervisors by the Company was considered and approved. (8) The resolution in respect of the appointment of the Chairman of the Board and the secretary to the Board to exercise the power specified in clause 12.5 of the Trust Deed entered into with Bank of China (Hong Kong) Trustees Limited was considered and approved. The resolutions were published on Shanghai Securities News, the website of Shanghai Stock Exchange and the HKExnews website of The Stock Exchange of Hong Kong Limited on 9 January 2009.

The Eighth Meeting of the Sixth Board was convened on 10 February 2009. 1. The resolution in respect of changing the head of Secretariat of the Nomination Committee of the Board and the head of Investment Secretariat of the Strategic Committee of the Board was considered and approved. 2. The resolution in respect of the adjustment of appointment of directors to Hebei Beiren Paper Feeder Co., Ltd. was considered and approved.

The Ninth Meeting of the Sixth Board was convened on 4 March 2009. The resolution in respect of the transfer of equity interests in Hebei Beiren Paper Feeder Co., Ltd., a subsidiary, was considered and approved.

The Tenth Meeting of the Sixth Board was convened on 30 March 2009. 1. The 2008 Annual Report of the Company and its summary were considered and approved. 2. The 2008 Work Report of the Board of the Company was considered and approved. 3. The 2008 Audited Financial Statements of the Company were considered and approved. 4. The 2008 Internal Control Report of the Company was considered and approved. 5. The 2008 Social Responsibility Report of the Company was considered and approved. 6. The re-appointment of ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited as the domestic and overseas auditors of the Company respectively for the year 2009 was considered and approved. 7. The 2008 proposal of the Company not to distribute any profit was considered and approved. 8. The plan for making up losses of the Company was considered and approved. 9. The resolution in respect of provision for impairment of the Company for the year 2008 was considered and approved. 10. The proposal for the convening of the 2008 Annual General Meeting on Tuesday, 26 May 2009 by the Company was considered and approved. 11. The 2009 Budget Report of the Company was considered and approved. 12. The 2009 Technological Reform Plan was considered and approved. 13. The resolution in respect of the disposal of certain obsolete assets of the Company was considered and approved. 14. The Resolution in respect of writing off bad debts of the Company was considered and approved. 15. The resolution in respect of the connected transactions to be entered into between the Company and Beiren Group Company was considered and approved. 16. The resolution in respect of the Rules and Procedures for Work of Annual Report of the Audit Committee of the Board of Directors was considered and approved. 17. The 2008 debriefing report of independent non-executive directors of the Company was considered and approved. 18. The resolution in respect of the amendments to the Articles of Association of the Company was considered and approved. 19. The resolution in respect of the amendments to the Rules and Procedures of the General Meetings of the Company was considered and approved. 20. The resolution in respect of the amendments to the Rules and Procedures of the Board of Directors of the Company was considered and approved. 21. The 2008 debriefing report of members of the senior management of the Company was considered and approved. 22. The 2008 performance evaluation on members of the senior management by the Remuneration and Monitoring Committee of the Company was considered and approved. 23. The 2009 Senior Management Members Performance Evaluation Results Contract of the Company was considered and approved. 24. The resolution in respect of changing the directors of subsidiaries was considered and approved. 25. The resolution in respect of the deregistration of the Shanghai branch and Shenzhen branch of the Company was considered and approved. The resolutions were published on Shanghai Securities News, the website of Shanghai Stock Exchange and the HKExnews website of The Stock Exchange of Hong Kong Limited on 31 March 2009.

The Eleventh Meeting of the Sixth Board was convened on 2 April 2009. The resolution in respect of the disposal of equity interests in Beijing Beiren Yuxin Offset Printing Co., Ltd., a subsidiary, was considered and approved.

The Twelfth Meeting of the Sixth Board was convened on 23 April 2009. The 2009 First Quarterly Report of the Company was considered and approved.

The Thirteenth Meeting of the Sixth Board was convened on 25 June 2009. The Internal Control System of the Company was considered and approved.

## REPORT OF THE DIRECTORS

### (I) Daily Work of the Board *(Continued)*

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

The Fourteenth Meeting of the Sixth Board was convened on 27 July 2009. 1. The 2009 Interim Report of the Company and its summary were considered and approved; 2. The resolution in respect of provision for impairment of the Company for the half year of 2009 was considered and approved; 3. The interim reports from the senior management of the Company on their duties were considered and approved, and the assessment results on senior management staff by the Remuneration and Monitoring Committee were also approved; 4. The resolution in respect of changing the Chairman of the Board of Beijing Beiying Printing and Casting Company Limited was considered and approved; 5. The resolution in respect of continuous pro rata provision of one-year guarantee of loan in the amount of RMB16,100,000 to Beijing Beiren Fuji Printing Machinery Company Limited was considered and approved; 7. The resolution in respect of the transfer of 11.37% equity interest in Haimen Beiren Fuji Printing Machinery Co., Ltd. held by Mr. Kong Dagang to the Company was considered and approved; 8. The Management System of Connected Transactions of Beiren Printing Machinery Holdings Limited was considered and approved; 9. The resolution in respect of entering into the Housing (Plant) Lease Agreement by the Company and Beijing Industry and Trade Technicians College was considered and approved; 10. The resolution in respect of increasing budget for purchasing cars for production of Singlesheet-fed Branch by RMB323,300 was considered and approved; 11. The resolution in respect of the disposal of the current assets in metal-plating workshops of Singlesheet-fed Branch and tool workshops of Web-fed Branch was considered and approved; 12. The resolution in respect of the nomination of Mr. Zhao Guorong as candidate for non-executive director of the Company was considered and approved; 13. The resolution in respect of the remuneration of the newly nominated candidate for director and the entering of written contract was considered and approved; 14. The resolution in respect of the nomination of Mr. Bai Fan as member of the Nomination Committee of the Board was considered and approved. The resolutions were published on Shanghai Securities News, the website of Shanghai Stock Exchange and the HKExnews website of The Stock Exchange of Hong Kong Limited on 29 July 2009.

The Second Extraordinary Meeting of the Sixth Board was convened on 11 September 2009. 1. The resolution in respect of the subdivision of land by deploying the idle assets of the Company and the establishment of a wholly-owned subsidiary was considered and approved; 2. The resolution in respect of changing the directors of Haimen Beiren Fuji Printing Machinery Co., Ltd. was considered and approved; 3. The resolution in respect of the disposal of the production equipment of Beijing Beiren Yuxin Offset Printing Co., Ltd. was considered and approved; 4. The Board proposed to convene the Second Extraordinary General Meeting of 2009 on 3 November 2009 to consider the resolutions in respect of the appointment of additional directors and supervisors. The resolutions were published on Shanghai Securities News, the website of Shanghai Stock Exchange and the HKExnews website of The Stock Exchange of Hong Kong Limited on 12 September 2009.

The Fifteenth Meeting of the Sixth Board was convened on 23 October 2009. 1. The resolution in respect of additional capital contribution to 北人亦新(北京)技術開發有限公司, a wholly-owned subsidiary, by land consideration and cash. 2. The resolution in respect of increasing the entrusted loans from Beijing Jingcheng Mechanical & Electrical Holding Co., Ltd. by the amount of RMB100 million.

The Sixteenth Meeting of the Sixth Board was convened on 30 October 2009. 1. The 2009 Third Quarterly Report of the Company was considered and approved; 2. The resolution in respect of the resignation of Mr. Yu Baogui as a director was considered and approved.

The Third Extraordinary Meeting of the Sixth Board was convened on 3 November 2009. 1. The resolution in respect of the election of Mr. Zhao Guorong as the Vice-chairman of the Sixth Board of the Company was considered and approved. 2. The resolution in respect of the election of Mr. Zhao Guorong as the additional committee member of the Strategic Committee of the Board of the Company was considered and approved.

#### 2. Implementation of resolutions of General Meetings by the Board of Directors

During the reporting period, the Company held the 2008 Annual General Meeting the 2009 First Extraordinary General Meeting and the 2009 Second Extraordinary General Meeting. The Board of the Company 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.

### (II) 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-174,004,600 during the reporting period; the undistributed profit was RMB-265,330,500 at the end of the year. According to Hong Kong Financial Reporting Standards, the Company realized a net profit attributable to the owners of RMB-173,674,000 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 2009 as the profit to be distributed to shareholders would be small.

## (III) Distribution of Dividends of the Company in the Previous Three Years:

Unit: Dollar Currency: RMB

Year of distribution	Amount of cash dividends (including tax)	Net profit attributable to the parent's owners in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to the parent's owners in the consolidated financial statement (%)
2006	0	-103,129,983.00	0
2007	0	9,278,498.87	0
2008	0	-263,141,611.27	0

## (IV) Establishment of a Comprehensive Management System of the External Information Users of the Company

After the consideration and approval at the Eighteenth Session of the Sixth Board of Directors' Meeting, the Company established the "Management System of External Information Users" and the "Registration System of Internal Information Receivers" to impose further restrictions to the management of the external information users.

## (V) Fixed Assets

Movements in fixed assets for the year are set out in the notes to the consolidated financial statements prepared according to Hong Kong Financial Reporting Standards ("HKFRSs"), as well as the notes to the 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 notes to the consolidated financial statements prepared according to HKFRSs and the notes to the financial statements prepared according to the PRC accounting standards.

## (VII) Investments in Subsidiaries

Particulars of the subsidiaries are set out in the notes to the consolidated financial statements prepared according to HKFRSs.

## (VIII) Associated Companies' Interest

Particulars of the associated companies are set out in the notes to the consolidated financial statements prepared according to HKFRSs.

## (IX) Other Assets

Particulars of other assets are set out in the notes to the consolidated financial statements prepared according to HKFRSs.

## (X) Reserves

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

## (XI) Bank Loan

Details of bank loans as at 31 December 2009 are set out in the 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 2009, a total of RMB21,427,400 was contributed to the Employee Retirement Insurance Scheme. Apart from the said contribution, the Company has no other commitments or liabilities related to pensions.

## REPORT OF THE DIRECTORS

### (XIII) Connected Transactions

- (1) Please refer to the notes to the consolidated financial statements prepared according to HKFRSs and the notes to the financial statements prepared according to the PRC accounting standards for the particulars of the connected transactions during the year.
- (2) Each independent non-executive director confirmed that all connected transactions were entered on the normal commercial terms in the ordinary and usual course of business of the members of the Company. 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 in 2009. 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, the Beijing State Land Resources Bureau and the Housing Administration Bureau, and the Commodity Price Bureau of Beijing, 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.

### (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 the implementation of the new provisions, the Company is required to pay the basic medical insurance calculated as 9% of employees' total wages, and the large medical expenses mutual fund calculated as 1% of employees' total wages out of the staff welfare fund. The 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 2009 to be held in June 2010.

# REPORT OF THE SUPERVISORY COMMITTEE

## (I) Work of the Supervisory Committee

During the reporting period, the Sixth Supervisory Committee of the Company convened six meetings in total, and the details are set out as follows:

1. The Fourth Meeting of the Sixth Supervisory Committee of the Company was held at the Conference Room of the Company on 12 February 2009. Details of the meetings are as follows:
  - (1) The report of the Department of Business Administration and Operation on the formulation of the 2009 budget was listened to.
  - (2) The organisation of single-sheet subsidiary after adjustments in organisation establishment was listened.
  - (3) The proposal of re-designation of the secretary of the Supervisory Committee raised by the Chairman of the Supervisory Committee was considered. Pursuant to which Guo Xuan would cease to be the secretary of the Supervisory Committee due to re-designation and 王慧玲 was engaged to be the secretary of the Supervisory Committee.
2. The Fifth Meeting of the Sixth Supervisory Committee of the Company was held at the Conference Room of the Company on 30 March 2009. Details of the meetings are as follows:
  - (1) The 2008 Supervisory Committee's Work Report was considered and approved, and was proposed to the 2008 annual general meeting for consideration.
  - (2) The 2008 Annual Report of the Company and its summary were considered and approved.
  - (3) The 2008 audited Financial Statement was considered and approved.
  - (4) No profit distribution plan of the Company for 2008 was considered and approved.
  - (5) Proposal of provision for impairment on assets of the Company for the year 2008 was considered and approved.
  - (6) The 2008 Internal Control Report of the Company was considered and approved.
  - (7) The 2008 Social Responsibility Report was considered and approved.
  - (8) Amendments to the Rules of Procedures for the Meetings of the Supervisory Committee were considered and approved and proposed to the 2008 annual general meeting for consideration.
3. The Sixth Meeting of the Sixth Supervisory Committee of the Company was held at the Conference Room of the Company on 23 April 2009. Major details of the meetings are: the 2009 First Quarterly Report of the Company was considered and approved.
4. The Seventh Meeting of the Sixth Supervisory Committee of the Company was held at the Conference Room of the Company on 27 July 2009. Major details of the meetings are:
  - (1) The 2009 Interim Report of the Company and its summary were considered and approved;
  - (2) The proposal of provision for impairment of the Company for the half year of 2009 was considered and approved;
5. The Eighth Meeting of the Sixth Supervisory Committee of the Company was held at the Conference Room of the Company on 30 October 2009. Major details of the meetings are: the 2009 Third Quarterly Report of the Company was considered and approved.
6. The Ninth Meeting of the Sixth Supervisory Committee of the Company was held at the Conference Room of the Company on 3 November 2009. Major details of the meetings are: Mr. Wang Liansheng was elected as the Chairman of the Sixth Supervisory Committee of the Company.

## 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. 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 2009 financial report truly 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 2009 in accordance with Hong Kong accounting standards 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 fund raising activity of the Company was conducted at the end of 2002 and completed for the year ended 31 March 2003. The use of the proceeds raised was in line with the intended use without any changes.

### **(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.

## (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 has no events related to insolvency and restructuring.

## (III) The Company's Interests in Other Listed Companies or Participation in the Equity Interest of Financial Enterprises

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

## (IV) Assets Transactions

### 1. Disposal of Assets

Unit: RMB

Transaction parties	Disposed assets	Disposal date	Selling Price	Net profit contributed to the listed company by the assets from the beginning of the year to the date of disposal of the assets		Is it a connected transaction (if yes, please state the pricing basis)	Pricing basis of disposal of assets	Whether the property rights of the disposed assets were fully transferred	Whether the debts and liabilities were fully transferred	Proportion of net profit contribution from the disposal of assets to the net profit of the listed company (%)	Connection
				Profit or loss arising from disposal of assets							
Hebei Upholster and Printing Machinery Company Limited	Hebei Beiren Paper Feeder Co., Ltd. (a subsidiary of the Company)	24 July 2009	50,000			No	Agreed price	Yes	Yes		

The disposal was fully completed as at 31 December 2009.

## (V) Material Connected Transactions of the Company During the Reporting Period

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

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

Unit: RMB

Connected transactions parties	Connection	Type of connected transactions	Subject of connected transactions	Pricing basis of connected transactions	Price of connected transactions	Amount of connected transactions	Proportion to amount of transaction of similar type (%)	Settlement of connected transactions	Market price	Reasons for material difference between transaction price and market reference price
Beiren Group Corporation	Parent company	Purchase of goods		Agreed price		929,059.83	0.75			
Beiren Group Corporation	Parent company	Grant of rights of use including patents and trademarks		Agreed price		3,802,754.55	100.00			



## MAJOR EVENTS

### (V) Material Connected Transactions of the Company During the Reporting Period *(Continued)*

#### 1. Connected Transactions Related to Day-to-day Operation *(Continued)*

Unit: RMB

Connected transactions parties	Connection	Type of connected transactions	Subject of connected transactions	Pricing basis of connected transactions	Price of connected transactions	Amount of connected transactions	Proportion to amount of transaction of similar type (%)	Settlement of connected transactions	Market price	Reasons for material difference between transaction price and market reference price
Beijing Monigraf Automations Company Limited	Associated company	Purchase of goods		Agreed price		8,143,899.16	6.55			
Beijing Beiyong Casting Company Limited	Associated company	Purchase of goods		Agreed price		10,579,374.53	8.51			
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Associated company	Purchase of goods		Agreed price		3,023,705.85	2.43			
Beiren Group Corporation	Parent company	Other utility fees such as water, electricity and gas fees (sale)		Agreed price		176,238.02	15.51			
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Associated company	Other utility fees such as water, electricity and gas fees (sale)		Agreed price		378,230.53	33.28			
Beijing Beiyong Casting Company Limited	Associated company	Other inflows (Land and building rental)		Agreed price		4,407,064.68				
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Associated company	Other inflows (Land and Building rental)		Agreed price		1,621,836.00				
Beijing Monigraf Automations Company Limited	Associated company	Other inflows (Land and Building rental)		Agreed price		50,331.00				

## (V) Material Connected Transactions of the Company During the Reporting Period *(Continued)*

### 1. Connected Transactions Related to Day-to-day Operation *(Continued)*

Unit: RMB

Connected transactions parties	Connection	Type of connected transactions	Subject of connected transactions	Pricing basis of connected transactions	Price of connected transactions	Amount of connected transactions	Proportion to amount of transaction of similar type (%)	Settlement of connected transactions	Market price	Reasons for material difference between transaction price and market reference price
Beiren Group Corporation	Parent company	Other inflows	(Land and Building rental)	Agreed price		930,000.00				
Beiren Group Corporation	Parent company	Other outflows	(Land use fees)	Agreed price		850,000.00				

### 2. Connected Debts and Liabilities

Unit: RMB

Connected party	Connection	Capital provided to connected parties		Capital provided to the listed company by connected parties	
		Incurred amount	Balance	Incurred Amount	Balance
Beiren Group Corporation	Parent company			1,387,166.71	13,641,380.51
Beijing Monigraf Automations Company Limited	Associated company	50,331.00	50,331.00		
Total		50,331.00	50,331.00	1,387,166.71	13,641,380.51

## (VI) Material Contracts and their Performance

### 1. Custody, Contracting and Leases (which contributes 10% or more of the total profit of the Company for the period)

#### (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.

## MAJOR EVENTS

### (VI) Material Contracts and their Performance *(Continued)*

#### 2. Guarantees

Unit: RMB0'000

<b>Guarantees provided to external parties by the Company (excluding guarantee provided to the controlling subsidiaries)</b>	
Total amount of guarantee provided during the reporting period	
Total amount of outstanding guarantee as at the end of the reporting period	
<b>Guarantees provided to the controlling subsidiaries by the Company</b>	
Total amount of guarantee provided to the controlling subsidiaries during the reporting period	1,000
Total amount of outstanding guarantee provided to the controlling subsidiaries as at the end of the reporting period	1,000
<b>Total amount of guarantee granted by the Company (including guarantee provided to the controlling subsidiaries)</b>	
Total amount of guarantee	1,000
Proportion of the total amount of guarantee to the net assets of the Company	1.38%
Including:	
Amount of guarantee provided for Shareholders, beneficial controllers and their connected parties	
Amount of debt guarantee provided, either directly or indirectly, for guaranteed parties whose gear ratio is larger than 70%	
Excess of total amount of guarantee over 50% of net assets	—
Total amount of the above three guarantees	1,000

#### 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 Undertaking

Undertaking during the period or carried on within the reporting period of the Company or shareholders holding 5% or more of the shares: during the reporting period, the sole shareholder of non-circulating shares of the Company Beiren Group Corporation had completed the performance of the undertakings concerning the Share Segregation Reform.

### (VIII) Appointment or Dismissal of Accounting Firm

Unit: RMB

Whether to appoint another accounting firm	No
Name of domestic accounting firm	<b>Current appointment</b> ShineWing Certified Public Accountants
Remuneration of domestic accounting firm	90
Term of audit of domestic accounting firm	3
Name of overseas accounting firm	SHINEWING (HK) CPA Limited
Remuneration of overseas accounting firm	25
Term of audit of overseas accounting firm	3

### (IX) The Punishment and Rectification of the Company and Its Directors, Supervisors, Senior Management, Shareholders of the Company and Beneficial Controllers

During the year, the Company and its directors, supervisors, senior management, shareholders of the Company and beneficial controllers were not subject to any investigation, administration punishments and public criticisms by the CSRC or public reprimand by any stock exchange.

## (X) Notes on Other Material Events

1. The Company had received product research and development fees, subsidies for employment stability and social insurance subsidies amounting to RMB8,435,800 from the government.
2. Disposal of subsidiaries and associates during the reporting period  
During the reporting period, the subsidiary of the Company Hebei Beiren Paper Feeder Co., Ltd. was disposed, and relevant procedures were finished.
3. As compared with the previous published annual report, the subsidiary of the Company Hebei Beiren Paper Feeder Co., Ltd. was excluded from the scope of consolidation during the reporting period due to its disposal and the subsidiary, Beiren Yi Xin (Beijing) Technical Development Co., Ltd. was included in the scope of consolidation. Save for this, there were no other changes.
4. Income tax  
The applicable enterprise income tax rate for the Company is 25%.
5. The 2009 Financial Report has been reviewed and confirmed by the audit committee under the Board of Directors of the Company.
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 in Appendix 10 to the Listing Rules. Having made specific enquiry to all directors and supervisors of the Company, the Company confirmed that, each of the Directors and supervisors has complied with the required standards regarding securities transactions by directors set out in the Model Code within the 12 months ended 31 December 2009.
8. During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

## (XI) Access to Discloseable Information

Events	Name and page of publication	Date of publishing	Websites and search path
Announcement for resolutions passed at the 1st Extraordinary General Meeting of 2009	<i>Shanghai Securities</i> page C6	9 January 2009	Shanghai Stock Exchange <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> Hong Kong Stock Exchange <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Announcement for resolutions passed at the 7th meeting of the Sixth Board of Directors	<i>Shanghai Securities</i> page 19	10 January 2009	As above
Announcement in respect of estimated loss for 2008	<i>Shanghai Securities</i> page C11	16 January 2009	As above
Announcement	<i>Shanghai Securities</i> page C8	4 February 2009	As above
Announcement on unusual price and volume movements		5 February 2009	As above
Announcement in relation to listing of circulating shares subject to trading moratorium	<i>Shanghai Securities</i> page D11	26 March 2009	As above
2008 Annual Report Summary	<i>Shanghai Securities</i> page C175	31 March 2009	As above
Announcement for the 10th meeting of the Sixth Board of Directors	<i>Shanghai Securities</i> page C175	31 March 2009	As above

## MAJOR EVENTS

### (XI) Access to Discloseable Information *(Continued)*

Events	Name and page of publication	Date of publishing	Websites and search path
Announcement on offsetting losses	<i>Shanghai Securities</i> page C175	31 March 2009	As above
Announcement for the 5th meeting of the Sixth Supervisory Committee	<i>Shanghai Securities</i> page C175	31 March 2009	As above
Notice of 2008 Annual General Meeting	<i>Shanghai Securities</i> page C10	9 April 2009	As above
Announcement for the continuing connected transaction	<i>Shanghai Securities</i> page C47	15 April 2009	As above
2009 First Quarterly Report	<i>Shanghai Securities</i> page C27	24 April 2009	As above
Supplemental announcement on 2008 Annual Report	<i>Shanghai Securities</i> page C95	29 April 2009	As above
Announcement for resolutions passed at the 2008 Annual General Meeting	<i>Shanghai Securities</i> page C24	27 May 2009	As above
Announcement of resignation of director	<i>Shanghai Securities</i> page C18	22 July 2009	As above
Announcement for resolutions passed at the 14th meeting of the Sixth Board of Directors	<i>Shanghai Securities</i> page C28	28 July 2009	As above
Announcement for resolutions passed at the 7th meeting of the Sixth Supervisory Committee	<i>Shanghai Securities</i> page C28	28 July 2009	As above
2009 Interim Report Summary	<i>Shanghai Securities</i> page C28	28 July 2009	As above
Announcement on suspension of trading	<i>Shanghai Securities</i> page C87	26 August 2009	As above
Announcement on unusual price movements (Announcement on resumption of trading)	<i>Shanghai Securities</i> page C158	27 August 2009	As above
Announcement of resignation of supervisor	<i>Shanghai Securities</i> page 15	12 September 2009	As above
Notice of 2nd Extraordinary General Meeting of 2009	<i>Shanghai Securities</i> page B14	18 September 2009	As above
Announcement for resolutions passed at the 16th meeting of the Sixth Board of Directors	<i>Shanghai Securities</i> page 31	31 October 2009	As above
2009 Third Quarterly Report Summary	<i>Shanghai Securities</i> page 31	31 October 2009	As above

## (XI) Access to Discloseable Information *(Continued)*

Events	Name and page of publication	Date of publishing	Websites and search path
Announcement for resolutions passed at the 2nd Extraordinary General Meeting of 2009	<i>Shanghai Securities</i> page B7	4 November 2009	As above
Announcement of resolutions passed at the 3rd Extraordinary Meeting of the Sixth Board of Directors	<i>Shanghai Securities</i> page B7	4 November 2009	As above
Announcement for resolutions passed at the 9th meeting of the Sixth Supervisory Committee	<i>Shanghai Securities</i> page B7	4 November 2009	As above
Announcement of material reorganization and suspension of trading	<i>Shanghai Securities</i> page B26	8 December 2009	As above
Announcement of progress on significant matter	<i>Shanghai Securities</i> page 19	14 December 2009	As above
Announcement of progress on significant matter	<i>Shanghai Securities</i> page 24	21 December 2009	As above
Announcement of progress on significant matter	<i>Shanghai Securities</i> page 23	28 December 2009	As above
Announcement of progress on significant matter and resumption of trading	<i>Shanghai Securities</i> page B38	29 December 2009	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 63 to 101, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 judgement, 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.

### 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 2009 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  
18 March 2010

# CONSOLIDATED INCOME STATEMENT

(Prepared under Hong Kong Financial Reporting Standards)  
For the Year Ended 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Turnover	8	748,384	739,161
Cost of sales		<b>(724,448)</b>	(754,576)
Gross profit (loss)		<b>23,936</b>	(15,415)
Other operating income	10	<b>24,437</b>	18,057
Selling and distribution expenses		<b>(62,853)</b>	(79,915)
Administrative expenses		<b>(145,845)</b>	(178,710)
Finance costs	11	<b>(19,956)</b>	(24,110)
Share of results of associates	23	<b>622</b>	(8,977)
Loss before taxation		<b>(179,659)</b>	(289,070)
Taxation	12	<b>472</b>	3,957
Loss for the year	13	<b>(179,187)</b>	(285,113)
Loss for the year attributable to:			
Owners of the Company		<b>(173,674)</b>	(265,426)
Minority interests		<b>(5,513)</b>	(19,687)
		<b>(179,187)</b>	(285,113)
Loss per share	17		
Basic and diluted		<b>RMB(41.2) cents</b>	RMB(62.9) cents



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Prepared under Hong Kong Financial Reporting Standards)  
For the Year Ended 31 December 2009

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Loss for the year	(179,187)	(285,113)
Exchange differences arising on translation of foreign operations, representing other comprehensive loss for the year	—	(971)
Total comprehensive loss for the year	<u>(179,187)</u>	<u>(286,084)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(173,674)	(266,397)
Minority interests	<u>(5,513)</u>	<u>(19,687)</u>
	<u>(179,187)</u>	<u>(286,084)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Prepared under Hong Kong Financial Reporting Standards)  
As at 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	18	553,379	597,896
Prepaid lease payments	19	141,349	143,732
Investment properties	20	74,752	75,506
Goodwill	21	—	—
Other intangible assets	22	—	—
Interests in associates	23	15,388	14,766
Deferred tax assets	24	8,240	8,652
		<b>793,108</b>	840,552
Current assets			
Inventories	25	489,304	659,505
Trade and other receivables	26	302,544	350,432
Prepaid lease payments	19	2,894	2,894
Amounts due from minority shareholders of subsidiaries	27	21,049	20,976
Deposits placed in financial institutions	28	297	459
Bank balances and cash	28	119,131	74,325
		<b>935,219</b>	1,108,591
Current liabilities			
Trade and bills payables	29	391,443	411,498
Other payables	30	73,218	76,110
Sales deposits received		94,623	60,112
Amount due to immediate holding company	31	15,639	14,094
Tax liabilities		1,904	3,204
Bank and other borrowings – due within one year	32	120,400	258,243
Loans from ultimate holding company	33	230,000	135,000
Provision for retirement obligations	34	10,340	14,256
		<b>937,567</b>	972,517
Net current (liabilities) assets		<b>(2,348)</b>	136,074
		<b>790,760</b>	976,626
Capital and reserves			
Share capital	35	422,000	422,000
Reserves	36	286,677	460,351
Equity attributable to owners of the Company		<b>708,677</b>	882,351
Minority interests		<b>25,175</b>	30,688
Total equity		<b>733,852</b>	913,039
Non-current liabilities			
Bank and other borrowings – due after one year	32	18,000	24,000
Loans from ultimate holding company	33	10,500	5,000
Provision for retirement obligations	34	25,603	31,021
Deferred income	37	2,805	3,566
		<b>56,908</b>	63,587
		<b>790,760</b>	976,626

The consolidated financial statements on pages 63 to 101 were approved and authorised for issue by the Board of Directors on 18 March 2010 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 2009

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Exchange translation reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Discretionary surplus reserve RMB'000	Retained profits (accumulated losses) RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008	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
Loss for the year	-	-	-	-	-	-	-	-	(265,426)	(265,426)	(19,687)	(285,113)
Other comprehensive loss for the year	-	-	(971)	-	-	-	-	-	-	(971)	-	(971)
Total comprehensive loss 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
Loss for the year, representing total comprehensive loss for the year	-	-	-	-	-	-	-	-	(173,674)	(173,674)	(5,513)	(179,187)
Transfer	-	-	-	-	(151,280)	-	-	-	151,280	-	-	-
At 31 December 2009	422,000	435,834	-	51,306	-	1,717	3,845	42,979	(249,004)	708,677	25,175	733,852

**Note:**

During the year ended 31 December 2009, pursuant to relevant regulations of the rules in respect of the General Meeting of Listed Companies issued by the China Securities Regulatory Commission and the Articles of Association of the Company, the Board of Directors passed resolution to transfer the statutory surplus reserve to offset the accumulated losses.

# CONSOLIDATED STATEMENT OF CASH FLOWS

(Prepared under Hong Kong Financial Reporting Standards)  
For the Year Ended 31 December 2009

	NOTE	2009 RMB'000	2008 RMB'000
<b>OPERATING ACTIVITIES</b>			
Loss before taxation		<b>(179,659)</b>	(289,070)
Adjustments for:			
Depreciation for property, plant and equipment and investment properties		<b>45,520</b>	48,956
Amortisation of prepaid lease payments		<b>2,895</b>	2,893
Amortisation of other intangible assets		<b>—</b>	283
Gain on disposal of property, plant and equipment		<b>(765)</b>	(5,063)
Allowance for trade and other receivables		<b>1,903</b>	23,997
(Reversal of) allowance for obsolete inventories		<b>(13,956)</b>	56,263
Impairment loss recognised in respect of property, plant and equipment		<b>290</b>	—
Impairment loss on goodwill		<b>—</b>	3,135
Provision for retirement obligations		<b>7,276</b>	24,057
Gain on disposal of a subsidiary		<b>(631)</b>	—
Share of results of associates		<b>(622)</b>	8,977
Interest income		<b>(447)</b>	(726)
Government grants released from deferred income		<b>(761)</b>	(761)
Finance costs		<b>19,956</b>	24,110
Operating cash flows before movements in working capital		<b>(119,001)</b>	(102,949)
Decrease (increase) in inventories		<b>181,850</b>	(32,433)
(Increase) decrease in trade and other receivables		<b>(2,502)</b>	79,921
(Decrease) increase in trade and bills payables		<b>(13,216)</b>	23,230
Increase in other payables		<b>399</b>	8,397
Increase (decrease) in sales deposits received		<b>34,511</b>	(19,459)
Increase in amount due to immediate holding company		<b>1,545</b>	1,728
Decrease in provision for retirement obligations		<b>(16,610)</b>	(14,063)
Cash generated from (used in) operations		<b>66,976</b>	(55,628)
Income tax (paid) refunded		<b>(410)</b>	5,105
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>		<b>66,566</b>	(50,523)
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(4,056)</b>	(15,987)
Prepaid lease payment in relation to land use rights		<b>(512)</b>	(80)
Advances to minority shareholders of subsidiaries		<b>(73)</b>	(2,093)
Net cash inflow from disposal of a subsidiary	38	<b>9</b>	—
Interest received		<b>447</b>	726
Dividend received from an associate		<b>622</b>	113
Proceeds on disposal of property, plant and equipment		<b>2,197</b>	11,665
Decrease in pledged bank deposits		<b>—</b>	8,083
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>		<b>(1,366)</b>	2,427
<b>FINANCING ACTIVITIES</b>			
Repayments of bank and other borrowings		<b>(240,450)</b>	(201,078)
Interest paid		<b>(19,956)</b>	(24,110)
Advances from (repayment to) ultimate holding company		<b>100,500</b>	(10,000)
New borrowings raised		<b>139,350</b>	258,658
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>		<b>(20,556)</b>	23,470
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>44,644</b>	(24,626)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>74,784</b>	100,381
Effect of foreign exchange rate changes		<b>—</b>	(971)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>119,428</b>	74,784
Analysis of balance of cash and cash equivalents:			
Deposits placed in financial institutions		<b>297</b>	459
Bank balances and cash		<b>119,131</b>	74,325
		<b>119,428</b>	74,784

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2009

## 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 also the functional currency of the Company.

## 2. Basis of Preparation

As at 31 December 2009, the Group had net current liabilities of approximately RMB2,348,000 and the Group had incurred loss of approximately RMB179,187,000 for the year ended 31 December 2009. Nevertheless, the consolidated financial statements of the Group have been prepared on a going concern basis.

In the opinion of directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration the following:

- (i) BGC, the immediate holding company has agreed to provide adequate funds to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future and not to demand for repayment of the balance due from the Group as at 31 December 2009 until it is in a financial position to do so.
- (ii) Subsequent to the end of the reporting period, the Group has disposed of one of the subsidiaries, Beijing Beiren Yuxin Offset Printing Company Limited ("Beiren Yuxin"), which contributed to the Group's net current liabilities as at the end of the reporting period of approximately RMB12,086,000. Details are disclosed in Note 44(a). The directors considered that the financial position will be improved upon the disposal of that subsidiary.

The directors consider that the Group will have sufficient working capital to finance its operations for the next twelve months from 31 December 2009. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

## 3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments to Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Interpretation ("Int") 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2009

## 3. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### New and revised HKFRSs affecting presentation and disclosure only

#### HKAS 1 (Revised 2007) “Presentation of Financial Statements”

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

#### HKFRS 8 “Operating Segments”

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group’s reportable segments.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>6</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Revised)	First-time Adoption of HKFRSs <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>3</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>5</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>7</sup>
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>6</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>5</sup>

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

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013

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.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

In addition, as part of *Improvements to HKFRSs (2009)*, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group’s leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2009

## 4. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared 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 an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 statement of financial position 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 2009

## 4. 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 sale 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.

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 on initial recognition.

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

Rental income from operating leases is recognised on a straight-line basis over the period of the relevant lease terms.

### Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) 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 of their estimated residual value, 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 profit or loss in the period in which the item is derecognised.

### 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 profit or loss 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**

Operating lease payments are recognised as an expense 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2009

## 4. Significant Accounting Policies (Continued)

### 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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.

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 other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of foreign operation. 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 exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the exchange translation reserve).

### Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### 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.

### 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 4. Significant Accounting Policies (Continued)

### Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

### 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 profit or loss in the period when the asset is derecognised.

### 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 in the consolidated statement of financial position 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### 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 to the net carrying amount on initial recognition.

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. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from minority shareholders of subsidiaries, 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 (see accounting policy on impairment of financial assets below).

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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.

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## 4. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### Impairment of financial assets (Continued)

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, 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 and 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.

##### 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 in other comprehensive income 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

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## 4. 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 best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (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 the end of the reporting period, 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. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

## 5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, 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 judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### *Buildings in the PRC*

The Group had not yet obtained the building certificates of certain of the Group's buildings from relevant government authorities as detailed in Note 18. The directors are of the opinion that the absence of building certificates of these buildings does not impair the value of the relevant buildings to the Group.

#### *Prepaid lease payments*

The Group had not yet been granted the formal titles of certain of the Group's land use rights from relevant government authorities as disclosed in Note 19. The directors are of the opinion that the risks and rewards of using these assets have been transferred to the Group and the absence of formal title to these land use rights does not impair the value of the relevant properties to the Group.

#### *Recognition of deferred tax assets*

As at 31 December 2009, a deferred tax asset of approximately RMB8,240,000 (2008: RMB8,652,000) has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient 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 material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. Also, as at 31 December 2009, the Group has unrecognised deferred tax assets in respect of unused tax losses of approximately RMB435,727,000 (2008: RMB230,514,000). In cases where the actual future profits generated are more than expected, deferred tax assets may arise, which would be recognised in profit or loss 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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

*Key sources of estimation uncertainty (Continued)*

*Going concern consideration*

The assessment of the going concern assumptions involve making judgement by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in Note 2.

*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.

*Estimated impairment of property, plant and equipment*

The management of the Group determines whether the property, plant and equipment is impaired, at least on an annual basis. Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Impairment loss of approximately RMB290,000 (2008: Nil) was recognised for the 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. Impairment loss of RMB3,135,000 (2009: Nil) was recognised for the year ended 31 December 2008.

*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.

*Allowance for obsolete inventories*

The management of the Group reviews an ageing analysis at the end of each reporting period, 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 the end of each reporting period and makes allowance for obsolete items.

*Provision for retirement obligations*

The Group has implemented a retirement plan for those employees who retired before their statutory retirement age. Provisions have been made based on management's best estimates and judgements at the end of the reporting period if it is probable that an outflow of resources will be required to settle the obligation and the amount of such provision can be measured reliably.

### 6. 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 shareholders 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 32 and 33 respectively, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in Note 35, 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.

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## 7. Financial Instruments

### (a) Categories of financial instruments

	2009 RMB'000	2008 RMB'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	424,421	419,270
<b>Financial liabilities</b>		
Amortised cost	845,706	922,270

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from minority shareholders of subsidiaries, deposits placed in financial institutions, bank balances and cash, trade and bills payables, other payables, amount due to immediate holding company, bank and other borrowings and loans from ultimate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

##### (i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 4.9% (2008: 9.1%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 96.1% (2008: 99.6%) 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 end of the reporting date are as follows:

	Liabilities		Assets	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
United States dollars ("USD")	2,041	1,974	6,646	5,459
Hong Kong dollars ("HK\$")	—	—	67	67
European dollars ("Euro")	—	—	—	226
Japanese Yen ("JPY")	111	29	47	49
	2,152	2,003	6,760	5,801

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\$, Euro and JPY.

The following table details the Group's sensitivity to a 10% (2008: 10%) increase or decrease in Renminbi against the relevant foreign currencies. 10% (2008: 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% (2008: 10%) change in foreign currency rates. A positive number below indicates a decrease in loss and increase in other equity where Renminbi strengthen 10% (2008: 10%) against the relevant currencies. For a 10% (2008: 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		JPY impact	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Profit or loss	(461)	(348)	7	(7)	—	(23)	7	(2)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 7. Financial Instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

##### (i) Currency risk (Continued)

###### Sensitivity analysis (Continued)

The Group's sensitivity to foreign currencies has increased during the current year mainly due to the increase in foreign currencies denominated in trade and other receivables as at 31 December 2009.

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.

##### (ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and loans as detailed in Notes 32 and 33 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 is also exposed to cash flow interest rate risk in relation to variable-rate borrowings and bank deposits and balances as detailed in Notes 32 and 28 respectively. It is the Group's policy to keep its borrowings at floating rate of interests 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/Deposit Rate stipulated by the People's Bank of China arising from the Group's RMB denominated borrowings and bank deposits and balances.

###### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2008: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2008: 100 basis points) higher/lower 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 RMB928,000 (2008: RMB392,000).

#### Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from minority shareholders of subsidiaries, deposits placed in financial institutions and bank balances. As at 31 December 2009, 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 statement of financial position.

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 the end of each reporting period 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's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 98% (2008: 99%) of the total receivables as at 31 December 2009.

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.

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## 7. Financial Instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### 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 2009, the Group has available unutilised short-term bank loan facilities of approximately RMB9,800,000 (2008: RMB83,000,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. 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 2009

	Carrying amount RMB'000	Total 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	391,443	391,443	391,443	—	—
Other payables	59,724	59,724	59,724	—	—
Amount due to immediate holding company	15,639	15,639	15,639	—	—
Bank and other borrowings					
– short-term non-interest bearing	29,550	29,550	29,550	—	—
– fixed rate	82,900	86,069	86,069	—	—
– variable rate	25,950	28,071	9,371	9,662	9,038
Loans from ultimate holding company	240,500	243,576	233,076	3,150	7,350
	<b>845,706</b>	<b>854,072</b>	<b>824,872</b>	<b>12,812</b>	<b>16,388</b>

#### As at 31 December 2008

	Carrying amount RMB'000	Total 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	174,500	181,802	181,802	—	—
– variable rate	35,450	39,207	13,236	7,271	18,700
Loans from ultimate holding company	140,000	141,490	136,490	—	5,000
	<b>922,270</b>	<b>934,819</b>	<b>903,848</b>	<b>7,271</b>	<b>23,700</b>

### (c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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.



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### 8. Turnover

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

	2009 RMB'000	2008 RMB'000
Sales of offset press	448,573	438,356
Sales of gravure press	233,438	206,253
Sales of business form machine	26,686	43,716
Others	44,652	53,341
	<hr/>	<hr/>
Total sales	753,349	741,666
Less: sales tax and other surcharges	(4,965)	(2,505)
	<hr/>	<hr/>
	748,384	739,161

### 9. Segment Information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, no segment analysis of financial information was presented as substantially all of the Group's assets and liabilities are located in the PRC. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

Specifically, in prior years, segment information reported externally was analysed on the basis of location of assets and liabilities. However, information reported to the chief operating decision maker, is more specifically focused on the types of printing presses supplied and services provided by the Group's operating divisions. The principal categories of printing presses supplied are offset press, gravure press and business form machine. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

Sales of offset press	— Manufacturing and sales of presses for printing double-side color or monochrome books, periodicals and other printing materials
Sales of gravure press	— Manufacturing and sales of presses for printing packaging and folding cartons for food and beverage, cleaning supplies and health products
Sales of business form machine	— Manufacturing and sales of machines for printing and processing various forms of paper, such as invoices, bar codes, leaflets and lottery tickets
Others	— Sales of spare parts and provision of printing services

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## 9. Segment Information (Continued)

### Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

#### For the year ended 31 December 2009

	Sales of offset press RMB'000	Sales of gravure press RMB'000	Sales of business form machine RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
TURNOVER						
External sales	445,143	232,125	26,686	44,430	–	748,384
Inter-segment sales	2,900	–	–	5,999	(8,899)	–
Total	448,043	232,125	26,686	50,429	(8,899)	748,384
Segment loss	(128,066)	(5,610)	(3,641)	(20,480)	–	(157,797)
Share of results of associates						622
Unallocated corporate income						1,078
Unallocated corporate expenses						(3,606)
Finance costs						(19,956)
Loss before taxation						(179,659)

#### For the year ended 31 December 2008

	Sales of offset press RMB'000	Sales of gravure press RMB'000	Sales of business form machine RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
TURNOVER						
External sales	436,674	205,640	43,716	53,131	–	739,161
Inter-segment sales	4,068	–	–	14,637	(18,705)	–
Total	440,742	205,640	43,716	67,768	(18,705)	739,161
Segment loss	(141,055)	(51,821)	(14,760)	(44,610)	–	(252,246)
Share of results of associates						(8,977)
Unallocated corporate income						726
Unallocated corporate expenses						(4,463)
Finance costs						(24,110)
Loss before taxation						(289,070)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment loss represents the loss from each segment without allocation of share of results of associates, interest income on bank deposits, gain on disposal of a subsidiary, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

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## 9. Segment Information (Continued)

### Segments assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

#### Segment assets

	2009 RMB'000	2008 RMB'000
Sales of offset press	1,144,165	1,326,446
Sales of gravure press	252,683	262,544
Sales of business form machine	47,011	66,901
Others	141,412	195,050
Total segment assets	<b>1,585,271</b>	1,850,941
Unallocated corporate assets	<b>143,056</b>	98,202
Consolidated assets	<b>1,728,327</b>	1,949,143

#### Segment liabilities

	2009 RMB'000	2008 RMB'000
Sales of offset press	352,377	335,540
Sales of gravure press	157,861	143,702
Sales of business form machine	19,344	25,872
Others	68,450	91,449
Total segment liabilities	<b>598,032</b>	596,563
Unallocated corporate liabilities	<b>396,443</b>	439,541
Consolidated liabilities	<b>994,475</b>	1,036,104

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than goodwill, interests in associates, deferred tax assets, deposits placed in financial institutions and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than amount due to immediate holding company, tax liabilities, bank and other borrowings and loans from ultimate holding company. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 9. Segment Information (Continued)

### Other segment information

For the year ended 31 December 2009

	Sales of offset press RMB'000	Sales of gravure press RMB'000	Sales of business form machine RMB'000	Others RMB'000	Consolidated RMB'000
Amounts included in the measure of segment loss or segment assets:					
Addition to non-current assets (Note)	1,292	3,255	21	—	4,568
Depreciation and amortisation	36,509	6,632	1,153	4,121	48,415
Impairment loss recognised in respect of property, plant and equipment	—	—	—	290	290
Allowance for trade and other receivables	768	713	422	—	1,903
(Reversal of) allowance for obsolete inventories	(10,000)	(4,417)	6	455	(13,956)
(Gain) loss on disposal of property, plant and equipment	(1,059)	298	(29)	25	(765)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment loss or segment assets:					
Interests in associates	15,388	—	—	—	15,388
Share of results of associates	(622)	—	—	—	(622)
Interest income	(360)	(62)	(21)	(4)	(447)
Interest expense	13,427	5,311	1,202	16	19,956
Taxation	(321)	402	(190)	(363)	(472)

For the year ended 31 December 2008

	Sales of offset press RMB'000	Sales of gravure press RMB'000	Sales of business form machine RMB'000	Others RMB'000	Consolidated RMB'000
Amounts included in the measure of segment loss or segment assets:					
Addition to non-current assets (Note)	6,390	8,074	736	867	16,067
Depreciation and amortisation	38,535	6,577	1,578	5,442	52,132
Impairment loss on goodwill	—	3,135	—	—	3,135
Allowance for trade and other receivables	18,099	5,757	6	135	23,997
Allowance for obsolete inventories	40,476	6,256	9,531	—	56,263
Loss (gain) on disposal of property, plant and equipment	510	(570)	(29)	(4,974)	(5,063)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment loss or segment assets:					
Interests in associates	14,766	—	—	—	14,766
Share of results of associates	8,977	—	—	—	8,977
Interest income	(432)	(230)	(53)	(11)	(726)
Interest expense	15,471	6,954	1,566	119	24,110
Taxation	1,622	(1,604)	(3,975)	—	(3,957)

Note: Non-current assets excluded deferred tax assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 9. Segment Information (Continued)

### Geographical information

The Group's operations are located in the PRC with customers located in the PRC, East Asia other than the PRC, South America, North America, Europe, Africa and other parts of the world.

The Group's turnover from operations from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Turnover from external customers		Non-current assets	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
PRC	711,874	668,664	769,480	817,134
East Asia other than the PRC	29,276	53,596	—	—
South America	6,678	2,408	—	—
North America	258	7,996	—	—
Europe	298	3,631	—	—
Africa	—	2,032	—	—
Others	—	834	—	—
	<b>748,384</b>	739,161	<b>769,480</b>	817,134

Note: Non-current assets excluded goodwill, interests in associates and deferred tax assets.

### Information about major customers

There is no customer contributing over 10% of the total turnover of the group for both years.

## 10. Other Operating Income

	2009 RMB'000	2008 RMB'000
Gross rental income from investment properties	2,140	2,006
Gross rental income from prepaid lease payments	2,846	2,846
Gross rental income from property, plant and equipment	4,174	3,355
Gain on disposal of property, plant and equipment	765	5,063
Gain on disposal of a subsidiary (Note 38)	631	—
Government grants (Note)	8,332	627
Government grants released from deferred income (Note 37)	761	761
Interest income on bank deposits	447	726
Profit from sales of scrap materials	1,121	—
Others	3,220	2,673
	<b>24,437</b>	18,057

Note: Government grants include (i) employment stabilisation and social security subsidies granted to the Group by The Beijing Municipal Human Resources and Social Security Bureau and (ii) funds received from local government authorities for research and development etc.

## 11. Finance Costs

	2009 RMB'000	2008 RMB'000
Interest on bank and other borrowings wholly repayable within five years	19,911	23,724
Interest on discounted bills	45	386
	<b>19,956</b>	24,110

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 12. Taxation

The taxation comprises:

PRC Corporate Income Tax ("CIT")  
(Over) under provision in prior years

Deferred tax (Note 24)

Current year  
Attributable to a change in tax rate

	2009 RMB'000	2008 RMB'000
	<b>(884)</b>	105
	<b>412</b>	(2,749)
	<b>—</b>	(1,313)
	<b>412</b>	(4,062)
	<b>(472)</b>	(3,957)

Under the Law of the People's Republic of China on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the Company and certain of its PRC subsidiaries is 25% from 1 January 2008 onwards.

Starting from 1 January 2008, CIT of the Company is calculated at the rate of 25% (2008: 25%) 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 CIT at a rate of 25% (2008: 25%).

According to document (Guoshuifa [2002] 47) and document (Caishuizi [2008] 21) "Notice of Application of Transitional Preferential Policy on Corporate 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%. In addition, Shaanxi Beiren was recognised as high technology enterprise on 11 December 2008 and therefore is entitled to a preferential tax rate of 15% for three years, with effective from 1 January 2009.

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 ended 31 December 2008. Starting from 1 January 2009, the applicable tax rate of Beiren Fuji is 25%.

No provision for Hong Kong profits tax had been made for the year ended 31 December 2008 as there was no assessable profit for the subsidiary operating in Hong Kong.

The taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2009 RMB'000	2008 RMB'000
Loss before taxation	<b>(179,659)</b>	(289,070)
Tax at the domestic income tax rate of 25% (2008: 25%)	<b>(44,914)</b>	(72,267)
Tax effect of expenses not deductible for tax purposes	<b>4,443</b>	19,403
Tax effect of income not taxable for tax purpose	<b>(10,786)</b>	(4,790)
(Over) under provision in respect of prior years	<b>(884)</b>	105
Tax effect of tax losses/deductible temporary differences not recognised	<b>51,304</b>	50,828
Tax effect of share of results of associates	<b>(155)</b>	2,244
Effect of different tax rates of subsidiaries	<b>520</b>	1,833
Increase in opening deferred tax asset resulting from a change in applicable tax rate	<b>—</b>	(1,313)
Taxation for the year	<b>(472)</b>	(3,957)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 13. Loss for the year

Loss for the year has been arrived at after charging (crediting):

Depreciation and amortisation

- Property, plant and equipment and investment properties
- Prepaid lease payments
- Other intangible assets

Total depreciation and amortisation

Staff costs including directors' emoluments

Allowance for trade and other receivables, net (included in administrative expenses)

(Reversal of) allowance for obsolete inventories (included in cost of sales)

Research and development expenses

Auditors' remuneration

Net foreign exchange losses

Impairment loss recognised in respect of property, plant and equipment

Impairment loss on goodwill

Provision for retirement obligations

Share of taxation of associates (included in share of results of associates)

Cost of inventories recognised as an expense

	2009 RMB'000	2008 RMB'000
	<b>45,520</b>	48,956
	<b>2,895</b>	2,893
	–	283
	<b>48,415</b>	52,132
	<b>201,476</b>	258,052
	<b>1,903</b>	23,997
	<b>(13,956)</b>	56,263
	<b>35,321</b>	21,196
	<b>1,150</b>	1,150
	<b>12</b>	227
	<b>290</b>	–
	–	3,135
	<b>7,276</b>	24,057
	<b>68</b>	192
	<b>738,404</b>	698,313

### 14. Directors' and Supervisors' Emoluments

Fees

Other emoluments

Salaries and other benefits

Retirement benefits scheme contributions

Total emoluments

	2009 RMB'000	2008 RMB'000
	<b>540</b>	436
	<b>1,039</b>	642
	<b>57</b>	52
	<b>1,636</b>	1,130

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 14. Directors' and Supervisors' Emoluments (Continued)

The emoluments of directors and supervisors during the year are analysed as follows:

	2009			Total RMB'000
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	
<b>Executive directors:</b>				
Yang Zhen-Dong	105	137	10	252
Zhang Pei-Wu	140	198	10	348
Duan Yuan-Gang (appointed on 8 January 2009)	105	140	7	252
Pang Lian-Dong (appointed on 8 January 2009)	—	181	10	191
<b>Non-executive directors:</b>				
Bai Fan	—	—	—	—
Zhao Guo-Rong (appointed on 3 November 2009)	—	—	—	—
Deng Gang (resigned on 20 July 2009)	—	—	—	—
Yu Bao-Gui (resigned on 30 October 2009)	30	—	—	30
<b>Independent non-executive directors:</b>				
Xu Wen-Cai	40	—	—	40
Wang Hui	40	—	—	40
Xie Bing-Guang	40	—	—	40
Wang De-Yu	40	—	—	40
<b>Supervisors:</b>				
Guo Xuan	—	144	7	151
Shao Zhen-Jiang	—	112	8	120
Wang Lian-Sheng (appointed on 3 November 2009)	—	97	5	102
Xiao Mao-Lin (resigned on 3 November 2009)	—	30	—	30
	<b>540</b>	<b>1,039</b>	<b>57</b>	<b>1,636</b>



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## 14. Directors' and Supervisors' Emoluments (Continued)

	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
	436	642	52	1,130

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 2009. No director or supervisor waived any emolument for the two years ended 31 December 2009.

## 15. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2008: two) were directors of the Company whose emoluments are included in the disclosures in note 14 above. The emoluments of the remaining two (2008: three) individuals, which are individually below RMB1,000,000 were as follows:

	2009 RMB'000	2008 RMB'000
Salaries and other benefits	474	657
Retirement benefits scheme contributions	21	28
	495	685

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## 16. Dividend

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

## 17. Loss Per Share

The calculation of basic loss per share attributable to the owners of the Company is based on the loss for the year attributable to the owners of the Company of approximately RMB173,674,000 (2008: RMB265,426,000) and the weighted average number of 422,000,000 (2008: 422,000,000) ordinary shares in issue during the year.

The diluted loss per share is equal to the basic loss per share as calculated above as the Company did not have any potential shares outstanding for the two years ended 31 December 2009.

## 18. Property, Plant and Equipment

	Buildings in the PRC	Leasehold property in Hong Kong	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2008	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
Additions	373	—	617	230	1,005	1,831	4,056
Transfer	818	—	457	—	—	(1,275)	—
Disposals	—	—	(10,866)	(5,592)	(3,091)	—	(19,549)
Disposal of a subsidiary (Note 38)	(2,129)	—	(2,535)	(182)	(357)	—	(5,203)
At 31 December 2009	475,758	—	435,162	59,008	13,098	3,114	986,140
DEPRECIATION AND IMPAIRMENT							
At 1 January 2008	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
Charge for the year	17,739	—	22,127	3,253	1,647	—	44,766
Impairment loss recognised	—	—	290	—	—	—	290
Eliminated on disposals	—	—	(10,135)	(5,503)	(2,479)	—	(18,117)
Eliminated on disposal of a subsidiary (Note 38)	(670)	—	(1,997)	(152)	(299)	—	(3,118)
At 31 December 2009	100,815	—	267,948	56,230	7,768	—	432,761
CARRYING VALUES							
At 31 December 2009	374,943	—	167,214	2,778	5,330	3,114	553,379
At 31 December 2008	392,950	—	189,826	5,920	6,642	2,558	597,896

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 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. The relevant property was disposed of during the year ended 31 December 2008.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 18. Property, Plant and Equipment *(Continued)*

All buildings held at 31 December 2009 and 2008 were situated in the PRC and held under medium-term leases.

Included in the property, plant and equipment are buildings in the PRC with carrying values of RMB63,671,000 (RMB81,348,000), for which the Group has not yet obtained the building certificates from the relevant government authorities.

During the year ended 31 December 2009, the Group leased certain of its buildings in the PRC, plant and machinery and motor vehicles with carrying values of approximately RMB63,671,000 (2008: RMB81,348,000), RMB2,380,000 (2008: RMB2,657,000) and RMB43,000 (2008: RMB8,000) respectively for rental income under operating leases.

Details of the property, plant and equipment pledged are set out in Note 32.

### 19. Prepaid Lease Payments

The Group's prepaid lease payments comprised land use rights in the PRC under medium-term leases.

Analysed for reporting purposes as:

	2009 RMB'000	2008 RMB'000
Current assets	2,894	2,894
Non-current assets	141,349	143,732
	<b>144,243</b>	146,626

Included in the prepaid lease payments are land use rights with carrying values of RMB17,043,000 (2008: RMB17,412,000), for which the Group is in the process of obtaining the land use rights certificate.

During the year ended 31 December 2009, the Group leased certain of its land use rights in the PRC with carrying values of approximately RMB17,043,000 (2008: RMB17,412,000) for rental income under operating leases.

Details of the prepaid lease payments pledged are set out in Note 32.

### 20. Investment Properties

	2009 RMB'000	2008 RMB'000
COST		
At 1 January and 31 December	81,836	81,836
DEPRECIATION		
At 1 January	6,330	5,135
Provided for the year	754	1,195
At 31 December	7,084	6,330
CARRYING VALUES		
At 31 December	<b>74,752</b>	75,506

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.

Gross rental income generated from the investment properties during the year amounted to approximately RMB2,140,000 (2008: 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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## 21. Goodwill

	2009 RMB'000	2008 RMB'000
COST		
At 1 January and 31 December	4,434	4,434
IMPAIRMENT		
At 1 January	4,434	1,299
Impairment loss recognised in the year	—	3,135
At 31 December	4,434	4,434
CARRYING VALUES		
At 31 December	—	—

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.

During the year ended 31 December 2008, the Group assessed the recoverable amount of goodwill based on a value-in-use-calculations which used cash flow projections based on financial budgets approved by management covering a five-year period, an expected growth rate of 14% and a discount rate of 6% per annum.

Goodwill associated with Haimen Beiren and Shaanxi Beiren was fully impaired during the year ended 31 December 2006 and 2008 respectively.

## 22. Other Intangible Assets

	2009 RMB'000	2008 RMB'000
COST		
At 1 January	6,426	8,499
Written off	(977)	(2,073)
Disposal of a subsidiary (Note 38)	(626)	—
At 31 December	4,823	6,426
AMORTISATION		
At 1 January	6,426	8,216
Provided for the year	—	283
Eliminated on written off	(977)	(2,073)
Eliminated on disposal of a subsidiary (Note 38)	(626)	—
At 31 December	4,823	6,426
CARRYING VALUES		
At 31 December	—	—

The intangible assets represented technical know-how and were amortised over their respective useful lives, ranging from 5 to 8 years, on a straight-line basis.

An intangible asset with original cost of RMB977,000 (2008: RMB2,073,000) was written off during the year ended 31 December 2009. The relevant intangible asset at the time of its written off was fully amortised.

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## 23. Interests in Associates

	2009 RMB'000	2008 RMB'000
Cost of unlisted investments	31,026	31,026
Share of post-acquisition losses and other comprehensive income, net of dividends received	(15,789)	(16,411)
Share of capital reserve	151	151
	<b>15,388</b>	<b>14,766</b>

As at 31 December 2009 and 2008, the Group had interests in the following associates:

Name of entity	Form of entity	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 ink presses
Beijing Beiying Casting Company Limited ("Beijing Beiying")	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

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 that 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:

	2009 RMB'000	2008 RMB'000
Current assets	273,388	278,422
Non-current assets	17,013	18,895
Total assets	<b>290,401</b>	297,317
Current liabilities, representing total liabilities	<b>(272,821)</b>	(273,724)
Net assets	<b>17,580</b>	23,593
Group's share of net assets of associates	<b>15,388</b>	14,766
Turnover	139,796	204,024
Cost of sales	<b>(130,862)</b>	(187,155)
Gross profit	<b>8,934</b>	16,869
Other operating expenses	<b>(17,867)</b>	(50,989)
Loss before taxation	<b>(8,933)</b>	(34,120)
Taxation	<b>(278)</b>	(759)
Loss for the year	<b>(9,211)</b>	(34,879)
Group's share of profit (loss) and other comprehensive income (loss) of associates for the year	<b>622</b>	(8,977)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2009

## 23. Interests in Associates (Continued)

The Group has discontinued recognition of its share of further losses of one of its associates, Mitsubishi Beiren. The amount of unrecognised share of losses of this associate, extracted from the relevant audited financial statements of associate, both for the year and cumulatively, are as follows:

	<b>2009</b> <i>RMB'000</i>	2008 <i>RMB'000</i>
Unrecognised share of losses of associate for the year	<b>12,073</b>	9,481
Accumulated unrecognised share of losses of associate	<b>21,554</b>	9,481

## 24. Deferred Tax Assets

The followings are the major deferred tax assets (liabilities) recognised and the movements thereof during the current and prior years:

	<b>Allowance for trade and other receivables</b> <i>RMB'000</i>	<b>Allowance for obsolete inventories</b> <i>RMB'000</i>	<b>Other temporary differences</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2008	2,657	2,143	(210)	4,590
Credit (charge) to profit or loss (Note 12)	(481)	2,700	530	2,749
Effect of change in tax rate (Note 12)	178	1,015	120	1,313
At 31 December 2008	2,354	5,858	440	8,652
(Charge) credit to profit or loss (Note 12)	165	(661)	84	(412)
At 31 December 2009	2,519	5,197	524	8,240

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset and a deferred tax asset balance of approximately RMB8,240,000 (2008: RMB8,652,000) is presented in the consolidated statement of financial position for financial reporting purposes.

At the end of the reporting period, the Group had unused tax losses of approximately RMB435,727,000 (2008: RMB230,514,000) 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 2014.

## 25. Inventories

	<b>2009</b> <i>RMB'000</i>	2008 <i>RMB'000</i>
Raw materials	<b>100,324</b>	108,117
Work-in-progress	<b>279,177</b>	340,325
Finished goods	<b>109,803</b>	211,063
	<b>489,304</b>	659,505

As at 31 December 2009, the carrying amount of inventories of approximately RMB489,304,000 (2008: RMB659,505,000) was net of allowance for obsolete inventories of approximately RMB107,984,000 (2008: RMB121,940,000).

During the year ended 31 December 2009, 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 approximately RMB13,956,000 has been recognised in the consolidated income statement for the year. Allowance for obsolete inventories of approximately RMB56,263,000 has been recognised in the consolidated income statement during the year ended 31 December 2008.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2009

### 26. Trade and Other Receivables

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Trade receivables	345,415	388,135
Less: allowance for trade receivables	(90,247)	(89,916)
	<b>255,168</b>	298,219
Other receivables	27,279	31,551
Less: allowance for other receivables	(15,211)	(14,090)
	<b>12,068</b>	17,461
Bills receivables	16,708	7,830
Prepayments and deposits	18,600	26,922
Total trade and other receivables	<b>302,544</b>	350,432

Details of the trade receivables pledged are set out in Note 32.

The customers are normally required to pay certain amounts in advance as deposits. The Group allows an 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 presented based on the invoice at the reporting date.

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Within 1 year	178,879	215,543
1 – 2 years	54,167	70,814
2 – 3 years	21,974	11,600
Over 3 years	148	262
	<b>255,168</b>	298,219

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of approximately RMB76,289,000 (2008: RMB82,676,000) which are past due as 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:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Within 1 year past due	54,167	70,814
Over 1 year but within 2 years past due	21,974	11,600
Over 2 years past due	148	262
Total	<b>76,289</b>	82,676

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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2009

## 26. 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 or other receivables balance directly. The movement in the allowance for trade and other receivables is as follows:

	2009 RMB'000	2008 RMB'000
At 1 January	104,006	87,573
Impairment loss recognised on receivables	4,094	24,057
Amounts written off as uncollectible	(323)	(7,564)
Amounts recovered during the year	(2,191)	(60)
Disposal of a subsidiary	(128)	—
At 31 December	<b>105,458</b>	104,006

Included in the allowance for trade and other receivables are individually impaired trade and other receivables with an aggregate balance of approximately RMB105,458,000 (2008: RMB104,006,000) which have been placed in severe financial difficulties. The Group does not hold any collateral over these balances.

## 27. Amounts Due from Minority Shareholders of Subsidiaries

The amounts are unsecured, interest-free and repayable on demand.

## 28. Deposits Placed in Financial Institutions/Bank Balances

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 rate of 0.36% per annum for the year ended 31 December 2009 (2008: 0.36% to 0.72%). The deposits are all denominated in RMB.

Bank balances carried interest at market rate of 0.36% per annum for the year ended 31 December 2009 (2008: 0.36% to 0.72%).

## 29. Trade and Bills Payables

The following is an aged analysis of trade and bills payables based on the invoice date at the end of the reporting period:

	2009 RMB'000	2008 RMB'000
Within 1 year	278,692	345,089
1 – 2 years	92,370	55,315
2 – 3 years	4,734	468
Over 3 years	1,747	2,626
	<b>377,543</b>	403,498
Bills payables	13,900	8,000
	<b>391,443</b>	411,498

The average credit period on purchases of goods is 90 days to 360 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 30. Other Payables

	2009 RMB'000	2008 RMB'000
Staff welfare accruals	23,713	21,763
Other payables	36,011	52,672
Other tax and levies payable	13,494	1,675
	<b>73,218</b>	76,110



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2009

### 31. Amount Due to Immediate Holding Company

The amount is unsecured, trading in nature with a credit period of 360 days.

### 32. Bank and Other Borrowings

	2009 RMB'000	2008 RMB'000
Bank loans	106,900	250,743
Other loans	31,500	31,500
	<b>138,400</b>	<b>282,243</b>
Secured	69,450	159,693
Unsecured	39,550	80,050
Guaranteed	29,400	42,500
	<b>138,400</b>	<b>282,243</b>
Carrying amount repayable:		
On demand or within one year	120,400	258,243
More than one year, but not exceeding two years	9,000	6,000
More than two years, but not exceeding five years	9,000	18,000
	<b>138,400</b>	<b>282,243</b>
Less: Amounts due within one year shown under current liabilities	<b>(120,400)</b>	<b>(258,243)</b>
	<b>18,000</b>	<b>24,000</b>

Details of securities and guarantees in respect of the bank loans of the Group at 31 December 2009 were as follows:

- The loans with an aggregate principal amount of approximately of RMB67,500,000 (2008: RMB157,743,000) were secured by buildings in the PRC, plant and machinery, land use rights and trade receivables of the Group with carrying values of approximately of RMB68,037,000 (2008: RMB86,628,000), RMB1,282,000 (2008: RMB25,624,000), RMB21,991,000 (2008: RMB21,951,000) and nil (2008: RMB42,743,000) respectively.
- The loans with an aggregate principal amount of RMB10,000,000 (2008: RMB5,500,000) were guaranteed by the Company to one of its subsidiaries.
- The loans with an aggregate principal amount of RMB29,400,000 (2008: RMB42,500,000) were guaranteed by certain independent third parties.

At 31 December 2008, the Group had bank loans of RMB45,000,000 (2009: Nil) which are neither secured nor guaranteed.

At 31 December 2009, the Group had obtained loans of RMB1,950,000 (2008: 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 carrying values of approximately of RMB1,282,000 (2008: RMB1,957,000).

In addition, included in other borrowings was RMB29,550,000 (2008: 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.

As at 31 December 2009, RMB82,900,000 (2008: RMB174,500,000) of the Group's bank and other borrowings were subject to fixed interest rates ranging from 5.31% to 6.11% (2008: 5.04% to 8.96%) and RMB25,950,000 (2008: RMB35,450,000) were subject to variable interest rates ranging from 6.64% to 6.91% (2008: 4.05% to 11.58%), 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2009

## 33. Loans from Ultimate Holding Company

As at 31 December 2009, loans from ultimate holding company included an unsecured entrusted loans of RMB230,000,000 (2008: RMB135,000,000). During the year ended 31 December 2009, the Group has obtained loans of RMB280,000,000 (2008: RMB150,000,000) and repaid an aggregate amount of RMB185,000,000 (2008: RMB165,000,000). The outstanding amounts are repayable on 19 January 2010, 22 March 2010, 21 July 2010 and 15 September 2010 as to RMB80,000,000, RMB85,000,000, RMB50,000,000 and RMB15,000,000 respectively. The loans were subject to fixed interest rates ranging from 4.86% to 5.31% (2008: 5.91% to 6.72%) which exposed the Group to fair value interest rate risk.

In addition, included in the balance was another loan from its ultimate holding company with principal amount of RMB10,500,000 (2008: RMB5,000,000) for research and development. During the year ended 31 December 2009, the Group has obtained loan of RMB5,500,000 (2008: RMB5,000,000). The loans were unsecured, interest-free and repayable on 30 November 2011 and 30 November 2012 as to RMB3,150,000 and RMB7,350,000 respectively.

All the above loans from ultimate holding company are denominated in RMB and hence have no foreign currency risk exposure.

## 34. Provision for Retirement Obligations

	2009 RMB'000	2008 RMB'000
At 1 January	45,277	35,283
Provision in the year	7,276	24,057
Payment made during the year	(16,610)	(14,063)
At 31 December	<b>35,943</b>	45,277

Analysed for reporting purposes as:

	2009 RMB'000	2008 RMB'000
Current liabilities	10,340	14,256
Non-current liabilities	25,603	31,021
	<b>35,943</b>	45,277

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 end of the reporting period. These amounts have been discounted at 2.26% (2008: 2.52%) for the purpose of measuring the provision for retirement obligations. As at 31 December 2009, the amount of the relevant obligation of the Group is approximately RMB35,943,000 (2008: RMB45,277,000).

## 35. Share Capital

	RMB'000
Registered, issued and fully paid, at 1 January 2008, 31 December 2008 and 31 December 2009	
322,000,000 A shares of RMB1 each	322,000
100,000,000 H shares of RMB1 each	100,000
	<b>422,000</b>

There was no change in share capital in both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2009

## 36. 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.

## 37. 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 2009, government grants released to the consolidated income statement as income amounted to approximately RMB761,000 (2008: RMB761,000).

## 38. Disposal of a Subsidiary

During the year ended 31 December 2009, the Group disposed of a subsidiary, Hebei Beiren Paper Feeder Company Limited ("Hebei Beiren") to 河北装潢印刷机械股份有限公司, a minority shareholder of Hebei Beiren, for a consideration of RMB50,000. The net liabilities of Hebei Beiren at the date of disposal were as follows:

	<i>RMB'000</i>
Net liabilities disposed of:	
Property, plant and equipment	2,085
Other intangible assets	—
Inventories	2,307
Trade and other receivables	5,122
Bank balances and cash	41
Trade and bills payables	(6,839)
Other payables	(3,291)
Tax liabilities	(6)
	<u>(581)</u>
Gain on disposal	631
Total consideration	<u>50</u>
Satisfied by:	
Cash	<u>50</u>
Net cash inflow arising on disposal:	
Cash consideration	50
Bank balances and cash disposed of	(41)
	<u>9</u>

The disposal of the subsidiary during the year ended 31 December 2009 has no significant impact on the Group's results and cash flows in the current and prior periods.

## 39. Major Non-cash Transaction

In 2009, according to the terms of the borrowing agreements, certain trade receivables which were pledged to several banks of approximately RMB42,743,000 (2008: RMB48,967,000) were settled by the debtors with the respective banks directly.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2009

## 40. Operating Leases

### The Group as lessor

Property rental income earned during the year was RMB2,140,000 (2008: RMB2,006,000). All of the Group's investment properties are held for rental purposes. They are expected to generate rental yields of 2.86% (2008: 2.65%) on an ongoing basis. All properties held have committed tenants for one year.

In addition, rental income earned from leasing certain of its prepaid lease payments and property, plant and equipment during the year was RMB2,846,000 (2008: RMB2,846,000) and RMB4,174,000 (2008: RMB3,355,000) respectively.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receipts:

	2009 RMB'000	2008 RMB'000
Within one year	1,102	1,390
In the second to fifth years inclusive	1,519	—
	<b>2,621</b>	1,390

### The Group as lessee

	2009 RMB'000	2008 RMB'000
Minimum lease payments paid under operating leases during the year:		
Premises	2,671	2,131
Property, plant and equipment	—	74
	<b>2,671</b>	2,205

As at 31 December 2009 and 2008, the Group had no commitment for future minimum lease payments under non-cancellable operating leases.

## 41. Retirement Benefits Scheme

According to the relevant laws and regulations of the PRC, the Group has to pay a sum equal to 20% (2008: 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 2009 amounted to RMB22,483,000 (2008: RMB23,498,000).

## 42. Related Parties Disclosure

	2009 RMB'000	2008 RMB'000
Amount due from a subsidiary of BGC	—	26
Amounts due from associates	691	7,846
Amounts due to associates	54,480	70,334

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 end of the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)  
For the year ended 31 December 2009

### 42. Related Parties Disclosure (Continued)

Apart from the balances with related parties disclosed in the consolidated statement of financial position and Notes 27, 31, 32 and 33 respectively, the Group also entered into the following transactions with its related parties:

	2009 RMB'000	2008 RMB'000
Sales of printing presses to		
– Beijing Yan Long Import and Export Co., Ltd. ("Beijing Yan Long") (a subsidiary of BGC)	–	5,064
Sales of materials to		
– Mitsubishi Beiren (an associate)	–	8,228
Purchase of printing presses from		
– Mitsubishi Beiren (an associate)	3,024	63,899
Purchase of materials from		
– BGC (immediate holding company)	929	822
– Beijing Beiyong (an associate)	10,579	14,812
– Beiren Monigraf (an associate)	8,144	13,311
Trademark fee paid to		
– BGC (immediate holding company)	3,803	3,819
Payment of rental fee to		
– BGC (immediate holding company)	850	850
Rental income received from		
– Beiren Monigraf (an associate)	50	90
– Beijing Beiyong (an associate)	4,407	4,407
– Mitsubishi Beiren (an associate)	1,622	1,818
– BGC (immediate holding company)	930	930

#### 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:

	2009 RMB'000	2008 RMB'000
Short-term benefits	2,053	1,735
Post-employment benefits	78	80
	2,131	1,815

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 2009

## 43. Particulars of Subsidiaries

Name of subsidiary	Form of entity	Place of establishment/ incorporation and principal place of operation	Percentage of registered/issued share capital held by the Company		Registered/ issued share capital	Principal activities
			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
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
Beiren Yi Xin (Beijing) Technical Development Company Limited	Limited liability company	PRC	100%	—	RMB1,000,000	Inactive

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year.

## 44. Events after the Reporting Period

- (a) Subsequent to the reporting period, the Group entered into an agreement with a minority shareholder of a subsidiary, Beiren Yuxin, for the disposal of 68.66% which represented the entire equity interest held by the Group in Beiren Yuxin at a cash consideration of RMB350,000. The Group is in the process of applying the business registration. The transaction has not yet been completed up to the report date.
- (b) Subsequent to the reporting period, the Group entered into an agreement with a minority shareholder of a subsidiary, Haimen Beiren, to further acquire 11.37% of equity interest in Haimen Beiren at a cash consideration of RMB143,000. The acquisition was completed on 26 January 2010.

## AUDIT REPORT



信永中和会计师事务所

**ShineWing**  
certified public accountants

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### 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 (hereafter "the Company"), which comprise the balance sheet of both the Company and consolidated Group as at 31 December 2009, and the income statement, cash flow statement, the statement of changes in owner's equity, of both the Company and consolidated Group, for the period then ended 31 December 2009, and also the notes to the financial statements.

### Management's Responsibility for the Financial Statements

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.

### Auditor's Responsibility

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 December 2009, and the results of operations and cash flows of the Company for the year then ended.

**ShineWing Certified Public Accountants**  
The Chinese Certified Public Accountant:

Huang Ying  
Ma Chuanjun

Beijing, China

18 March 2010

# THE CONSOLIDATED BALANCE SHEET

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

Unit: RMB

Assets	Appendix	31 December 2009	31 December 2008
<b>Current Assets:</b>			
Cash	VII, 1	119,427,989.19	74,783,510.00
Tradable Financial Assets			
Notes Receivable	VII, 2	16,707,773.38	7,830,646.60
Accounts Receivable	VII, 3	255,167,926.90	298,808,641.12
Advances to Suppliers	VII, 4	18,600,020.19	26,921,968.40
Interests Receivable			
Dividends Receivable	VII, 5	—	622,300.00
Other Accounts Receivable	VII, 6	30,339,203.74	35,036,409.30
Inventory	VII, 7	489,304,032.64	659,504,841.69
Non-current Assets Maturing within One Year			
Other Current Assets			
Total Current Assets		<b>929,546,946.04</b>	1,103,508,317.11
<b>Non-current Assets</b>			
Financial Assets Available for Sale			
Holding to Maturity Investment			
Long-term Accounts Receivable			
Long-term Equity Investment	VII, 8	15,100,595.32	14,478,492.90
Investment Property	VII, 9	15,047,905.79	15,802,196.22
Fixed Assets	VII, 10	626,730,021.57	671,802,649.88
Construction In Progress	VII, 11	4,279,083.99	3,723,256.13
Project Materials			
Disposal of Fixed Assets			
Intangible Assets	VII, 12	126,907,626.93	129,555,254.67
Goodwill			
Long-term Prepayments	VII, 13	11,930,291.10	11,996,291.10
Deferred Income Tax Assets	VII, 14	8,240,076.76	8,651,704.59
Other Non-current Assets			
Total Non-current Assets		<b>808,235,601.46</b>	856,009,845.49
<b>Total Assets</b>		<b>1,737,782,547.50</b>	1,959,518,162.60

Legal Person: **Liandong Pang**

Accounting Director: **Peiwu Zhang**

Accounting Manager: **Yuangang Duan**



# THE CONSOLIDATED BALANCE SHEET

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

Unit: RMB

Liabilities and Shareholder's Equity	Appendix	31 December 2009	31 December 2008
<b>Current Liabilities:</b>			
Short-term Loan	VII, 16	<b>314,850,000.00</b>	360,692,750.00
Tradable Financial Liabilities			
Notes Payable	VII, 17	<b>13,900,000.00</b>	8,000,000.00
Accounts Payable	VII, 18	<b>379,540,583.68</b>	405,817,379.06
Advances from Customers	VII, 19	<b>94,623,242.70</b>	60,111,842.44
Employee Benefit Payable	VII, 20	<b>59,655,647.63</b>	67,040,363.66
Taxes Payable	VII, 21	<b>15,398,299.09</b>	4,878,200.28
Interests Payable		<b>1,096,962.50</b>	550,237.50
Dividends Payable			
Other Payable	VII, 22	<b>48,538,528.19</b>	63,945,480.53
Non-current Liabilities Maturing Within One year	VII, 23	<b>29,550,000.00</b>	29,550,000.00
Other Current Liabilities	VII, 24	<b>1,149,600.00</b>	1,195,575.00
<b>Total Current Liabilities</b>		<b>958,302,863.79</b>	1,001,781,828.47
<b>Non-Current Liabilities</b>			
Long-term Loan	VII, 25	<b>24,000,000.00</b>	27,000,000.00
Bonds Payable			
Long-term Accounts Payable			
Special Payable	VII, 26	<b>9,100,538.23</b>	4,078,638.33
Estimated liabilities	VII, 27	<b>266,891.98</b>	266,891.98
Deferred Income Tax Liabilities			
Other Non-current Liabilities	VII, 28	<b>2,803,300.68</b>	3,564,223.27
<b>Total Non-current Liabilities</b>		<b>36,170,730.89</b>	34,909,753.58
<b>Total Liabilities</b>		<b>994,473,594.68</b>	1,036,691,582.05
<b>Shareholder's Equity</b>			
Stock	VII, 29	<b>422,000,000.00</b>	422,000,000.00
Capital Reserves	VII, 30	<b>523,020,271.06</b>	523,020,271.06
less: Treasury Stock			
Special Reserve			
Surplus Reserves	VII, 31	<b>43,172,707.88</b>	198,928,288.88
General Risk Reserves			
Undistributed Profit	VII, 32	<b>-265,330,459.45</b>	-247,081,457.60
Converted Difference in Foreign Currency Statements			
Total Shareholder's Equity Attributed to the Parent		<b>722,862,519.49</b>	896,867,102.34
Minority Shareholder's Equity	VII, 33	<b>20,446,433.33</b>	25,959,478.21
<b>Total Shareholder's Equity</b>		<b>743,308,952.82</b>	922,826,580.55
<b>Total Liabilities and Shareholder's Equity</b>		<b>1,737,782,547.50</b>	1,959,518,162.60

Legal Person: Liandong Pang

Accounting Director: Peiwu Zhang

Accounting Manager: Yuangang Duan

# THE CONSOLIDATED INCOME STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

Unit: RMB

Items	Appendix	Jan-Dec, 2009	Jan-Dec, 2008
<b>1. Total Operating Income</b>		<b>767,668,587.26</b>	759,050,785.96
Operating Income	VII, 34	<b>767,668,587.26</b>	759,050,785.96
<b>2. Total Operating Cost</b>		<b>959,517,572.80</b>	1,044,835,335.15
Operating Cost	VII, 34	<b>696,576,006.76</b>	685,442,823.93
Tax and Additional Expense	VII, 35	<b>5,887,447.78</b>	3,034,939.00
Sales Expense	VII, 36	<b>62,853,173.79</b>	79,914,876.05
Administration Expense	VII, 37	<b>137,657,853.14</b>	154,289,320.42
Financial Expense	VII, 38	<b>21,320,442.95</b>	25,668,322.83
Assets Impairment Losses	VII, 39	<b>35,222,648.38</b>	96,485,052.92
Add: Income of Fair Value Change (loss marked "-")			
Investment Income (loss marked "-")	VII, 40	<b>1,252,917.09</b>	-8,976,805.23
Thereinto: Investment Income to Subsidiaries and Joint Venture			
Exchange Gain and Loss (loss marked "-")		<b>622,102.42</b>	-8,976,805.23
<b>3. Operating Profit (loss marked "-")</b>		<b>-190,596,068.45</b>	-294,761,354.42
Add: Non-operating Income	VII, 41	<b>11,778,448.32</b>	8,199,089.75
Less: Non-operating Expense	VII, 42	<b>1,172,291.14</b>	1,844,571.82
Thereinto: Disposal Loss of Non-current Assets		<b>536,582.61</b>	604,453.01
<b>4. Total Profit (loss marked "-")</b>		<b>-179,989,911.27</b>	-288,406,836.49
Less: Income Tax Expense	VII, 43	<b>-472,283.54</b>	-5,578,424.00
<b>5. Net Profit</b>		<b>-179,517,627.73</b>	-282,828,412.49
Thereinto: Net Profit Attributed to the Parent's Shareholders		<b>-174,004,582.85</b>	-263,141,611.27
Minority Shareholder's Equity		<b>-5,513,044.88</b>	-19,686,801.22
<b>6. Earnings Per Share:</b>			
(1) Basic Earnings Per Share		<b>-0.41</b>	-0.62
(2) Earnings Per Diluted Share		<b>-0.41</b>	-0.62
<b>7. Other Comprehensive Income</b>			
<b>8. Total Comprehensive Income</b>		<b>-179,517,627.73</b>	-282,828,412.49
Total comprehensive Income of the Parent's Shareholders		<b>-174,004,582.85</b>	-263,141,611.27
Total Comprehensive Income of the Minority Shareholders		<b>-5,513,044.88</b>	-19,686,801.22

Legal Person: Liandong Pang

Accounting Director: Peiwu Zhang

Accounting Manager: Yuangang Duan

# THE CONSOLIDATED CASH FLOW STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

Unit: RMB

Items	Appendix	Jan-Dec, 2009	Jan-Dec, 2008
<b>1. Cash Flow From Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		780,471,150.93	818,081,688.32
Receipts of taxes and levy refunds		1,217,165.41	7,625,229.56
Other Cash receipts in operating activities	VII, 45	14,819,277.49	14,415,660.27
Subtotal Cash Flow-in From Operating Activities		796,507,593.83	840,122,578.15
Cash payments for goods and services acquired		374,745,392.67	510,447,976.50
Cash payments to and on behalf of employees		214,815,619.33	215,868,404.16
Payments of taxes and levy		55,560,425.09	40,016,177.87
Other cash payments from Operating Activities	VII, 45	30,726,562.14	61,552,043.68
Subtotal Cash Flow-out From Operating Activities		675,847,999.23	827,884,602.21
Net Cash Flow From Operating Activities		120,659,594.60	12,237,975.94
<b>2. Cash Flow From Investing Activities:</b>			
Cash receipts from return of investments			94,847.59
Cash receipts from investment income			
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets		384,058.00	5,394,550.00
Net cash receipts from disposal of subsidiaries and other business unit		50,000.00	
Other cash receipts in investing activities	VII, 45		
Total Cash Flow-in From Investing Activities		434,058.00	5,489,397.59
Cash payments to acquired fixed assets, intangible assets and other long-term assets		3,779,443.58	9,755,033.04
Cash payments to acquired investments			50,000.00
Net cash payment to acquired subsidiaries and other business units			
Other cash payments in investing activities			
Total Cash Flow-out From Investing Activities		3,779,443.58	9,805,033.04
Net Cash Flow From Investing Activities		-3,345,385.58	-4,315,635.45
<b>3. Cash Flow From Financing Activities:</b>			
Cash proceeds from absorbing investment			
Thereinto: cash receipts from absorbing minority shareholders' investment by subsidiary		414,450,000.00	405,950,000.00
Cash receipts from borrowings			
Cash receipts from bonds issuing			
Other cash receipts in financing activities			
Total Cash Flow-in From Financing Activities		414,450,000.00	405,950,000.00
Cash repayments of amount borrowed		458,657,750.00	412,337,000.00
Cash payments for distribution of dividends, profits or interest expenses		19,687,961.52	24,160,220.85
Thereinto: subsidiary's payment for minority shareholders' interest and profit			
Other cash payments in financing activities	VII, 45	8,051,346.07	9,017,612.88
Subtotal Cash Flow-out From financing Activities		486,397,057.59	445,514,833.73
Net Cash Flow From Financing Activities		-71,947,057.59	-39,564,833.73
<b>4. Effect of exchange rate change on cash and cash equivalent</b>		-20,802.25	-506,748.95
<b>5. Net Increased Cash and Cash Equivalent</b>		45,346,349.18	-32,149,242.19
Add: the Beginning Balance of Cash and Cash Equivalent	VII, 45	66,503,301.13	98,652,543.32
<b>6. The Ending Balance of Cash and Cash Equivalent</b>	VII, 45	111,849,650.31	66,503,301.13

# CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

Unit: RMB

Items	Amount for the Current Period								Minority Shareholder's Equity	Total Shareholder's Equity
	Capital Share	Capital Reserves	Less: Treasury Stock	Special Reserve	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		-247,081,457.60		25,959,478.21	922,826,580.55
Add: Changes in Accounting Policies										
Corrections for previous errors										
Others										
<b>2. The beginning 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
<b>3. Increase and decrease for this year (decrease represents as "-")</b>										
(1) Net profit					-155,755,581.00		-18,249,001.85		-5,513,044.88	-179,517,627.73
(2) Other Comprehensive Income							-174,004,582.85		-5,513,044.88	-179,517,627.73
Subtotal of (1) and (2)							-174,004,582.85		-5,513,044.88	-179,517,627.73
(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. 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)					-155,755,581.00		155,755,581.00			
II. Surplus Reserve transfer to Capital (or Share Capital)										
III. Surplus Reserve offset losses					-155,755,581.00		155,755,581.00			
IV. Others										
(6) Special Reserve										
I. Amount Provided for the Current Period										
II. Amount Expended for the Current Period										
<b>4. The ending balance for this year</b>	422,000,000.00	523,020,271.06			43,172,707.88		-265,330,459.45		20,446,433.33	743,308,952.82

Legal Person: **Liandong Pang**

Accounting Director: **Peiwu Zhang**

Accounting Manager: **Yuangang Duan**

# CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

Unit: RMB

Items	Amount for the Period of the Last Year									
	Capital Share	Capital Reserves	Less: Treasury Stock	Special Reserve	Surplus Reserves	Business Risk Reserve	Undistributed Profit	Others	Minority Shareholder's Equity	Total Shareholder's Equity
<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	1,206,686,105.27
Add: Changes in Accounting Policies										
Corrections for previous errors										
Others										
<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	1,206,686,105.27
<b>3. Increase and decrease for this year (decrease represents as "-")</b>										
(1) Net profit							-263,141,611.27	-1,031,112.23	-19,686,801.22	-283,859,524.72
(2) Other Comprehensive Income							-263,141,611.27		-19,686,801.22	-282,828,412.49
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										
(6) Special Reserve										
I. Amount Provided for the Current Period										
II. Amount Expended for the Current Period										
<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

Legal Person: **Liandong Pang**

Accounting Director: **Peiwu Zhang**

Accounting Manager: **Yuangan Duan**

# THE BALANCE SHEET OF THE PARENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

Unit: RMB

Assets	Appendix	31 December 2009	31 December 2008
<b>Current Assets:</b>			
Cash		86,568,028.75	53,273,532.77
Tradable Financial Assets			
Notes Receivable		12,097,000.00	5,207,218.80
Accounts Receivable	XV.1	207,351,175.53	253,002,606.89
Advances to Suppliers		4,489,060.17	11,886,494.43
Interests Receivable		—	622,300.00
Dividends Receivable			
Other Accounts Receivable	XV.2	7,287,587.74	8,707,574.84
Inventory		328,286,547.25	473,276,767.37
Non-current Assets Maturing Within One Year			
Other Current Assets			
Total Current Assets		<b>646,079,399.44</b>	805,976,495.10
<b>Non-current Assets:</b>			
Financial Assets Available for Sale			
Holding to Maturity Investment			
Long-term Accounts Receivable			
Long-term Equity Investment	XV.3	216,161,294.58	217,073,192.16
Investment Property		15,047,905.79	15,802,196.22
Fixed Assets		474,875,268.15	506,064,054.57
Construction in Progress		1,697,564.49	1,979,279.63
Project Materials			
Disposal of Fixed Assets			
Intangible Asset		101,841,698.56	104,185,068.28
Goodwill			
Long-term Prepayments		11,930,291.10	11,996,291.10
Deferred Income Tax Assets			
Other Non-current Assets			
Total Non-current Assets		<b>821,554,022.67</b>	857,100,081.96
<b>Total Assets</b>		<b>1,467,633,422.11</b>	1,663,076,577.06

Legal Person: **Liandong Pang**

Accounting Director: **Peiwu Zhang**

Accounting Manager: **Yuangang Duan**

# THE BALANCE SHEET OF THE PARENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

Unit: RMB

Liabilities and Shareholder's Equity	Appendix	31 December 2009	31 December 2008
<b>Current Liabilities:</b>			
Short-term Loan		230,000,000.00	272,742,750.00
Tradable Financial Liabilities			
Notes Payable			
Accounts Payable		267,557,367.34	279,873,659.04
Advances from Customers		27,758,177.71	18,026,655.38
Employee Benefit Payable		34,496,556.25	41,626,448.49
Taxes Payable		7,866,507.28	-1,092,290.44
Interests Payable		1,096,962.50	550,237.50
Dividends Payable			
Other Payables		62,037,936.32	66,453,202.81
Non-current Liabilities Maturing Within One Year			
Other Current Liabilities		650,000.00	395,575.00
<b>Total Current Liabilities</b>		<b>631,463,507.40</b>	<b>678,576,237.78</b>
<b>Non-Current Liabilities</b>			
Long-term Loan			
Bonds Payable			
Long-term Accounts Payable			
Special Payable		9,100,538.23	4,078,638.33
Estimated liabilities		266,891.98	266,891.98
Deferred Income Tax Liabilities			
Other Non-current Liabilities		1,970,448.01	2,627,264.02
<b>Total Non-current Liabilities</b>		<b>11,337,878.22</b>	<b>6,972,794.33</b>
<b>Total Liabilities</b>		<b>642,801,385.62</b>	<b>685,549,032.11</b>
<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			
Special Reserve			
Surplus Reserve		38,071,282.24	193,826,863.24
General Risk Reserves			
Undistributed Profit		-152,695,508.46	-155,755,581.00
<b>Total Shareholder's Equity</b>		<b>824,832,036.49</b>	<b>977,527,544.95</b>
<b>Total Liabilities and Shareholder's Equity</b>		<b>1,467,633,422.11</b>	<b>1,663,076,577.06</b>

Legal Person: Liandong Pang

Accounting Director: Peiwu Zhang

Accounting Manager: Yuangang Duan

# THE INCOME STATEMENT OF THE PARENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

Unit: RMB

Items	Appendix	Jan-Dec, 2009	Jan-Dec, 2008
<b>1. Total Operating Income</b>	XV.4	<b>444,517,937.99</b>	448,954,345.18
Less: Operating Cost	XV.4	<b>428,242,334.18</b>	398,259,006.93
Tax and Additional Expense		<b>4,256,540.51</b>	2,210,512.11
Sales Expense		<b>34,374,499.39</b>	45,524,825.55
Administration Expense		<b>91,868,512.83</b>	96,823,723.24
Financial Expense		<b>13,208,931.53</b>	15,359,574.60
Assets Impairment Losses		<b>30,293,161.69</b>	70,390,413.42
Add: Income of Fair Value Change (loss marked "-")			
Investment Income (loss marked "-")	XV.5	<b>-1,861,897.58</b>	-8,976,805.23
Thereinto: Investment Income to Subsidiaries and Joint Venture		<b>622,102.42</b>	-8,976,805.23
<b>2. Operating Profit (loss marked "-")</b>		<b>-159,587,939.72</b>	-188,590,515.90
Add: Non-operating Income		<b>6,946,867.77</b>	1,982,060.43
Less: Non-operating Expense		<b>375,274.84</b>	764,212.75
Thereinto: Disposal Loss of Non-current Assets		<b>198,912.98</b>	573,785.19
<b>3. Total Profit (loss marked "-")</b>		<b>-153,016,346.79</b>	-187,372,668.22
Less: Income Tax Expense		<b>-320,838.33</b>	
<b>4. Net Profit</b>		<b>-152,695,508.46</b>	-187,372,668.22

Legal Person: **Liandong Pang**

Accounting Director: **Peiwu Zhang**

Accounting Manager: **Yuangang Duan**



# THE CASH FLOW STATEMENT OF THE PARENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

Unit: RMB

Items	Appendix	31 December 2009	31 December 2008
<b>1. Cash Flow From Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		439,834,188.80	473,405,002.13
Receipts of taxes and levy refunds			6,002,223.99
Other Cash receipts in operating activities		9,670,384.93	8,387,733.10
Subtotal Cash Flow-in From Operating Activities		449,504,573.73	487,794,959.22
Cash payments for goods and services acquired		164,242,675.78	265,435,290.27
Cash payments to and on behalf of employees		141,642,833.78	140,788,110.24
Payments of taxes and levy		31,809,184.26	27,315,498.54
Other cash payments from Operating Activities		20,998,949.02	47,133,266.60
Subtotal Cash Flow-out From Operating Activities		358,693,642.84	480,672,165.65
Net Cash Flow From Operating Activities		90,810,930.89	7,122,793.57
<b>2. Cash Flow From Investing Activities:</b>			
Cash receipts from return of investments			44,847.59
Cash receipts from investment income			
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets		345,058.00	123,190.00
Net cash receipts from disposal of subsidiaries and other business units		50,000.00	
Other cash receipts in investing activities			
Total Cash Flow-in From Investing Activities		395,058.00	168,037.59
Cash payments to acquired fixed assets, intangible assets and other long-term assets		892,883.23	2,580,925.15
Cash payments to acquired investments		1,000,000.00	
Net cash payment to acquired subsidiaries and other business units			
Other cash payments in investing activities			
Total Cash Flow-out From Investing Activities		1,892,883.23	2,580,925.15
Net Cash Flow From Investing Activities		-1,497,825.23	-2,412,887.56
<b>3. Cash Flow From Financing Activities:</b>			
Cash proceeds from absorbing investment			
Cash receipts from borrowings		315,500,000.00	295,000,000.00
Other cash receipts in financing activities			
Total Cash Flow-in From Financing Activities		315,500,000.00	295,000,000.00
Cash repayments of amount borrowed		353,607,750.00	307,837,000.00
Cash payments for distribution of dividends, profits or interest expenses		12,572,564.25	14,746,634.90
Other cash payments in financing activities			5,332,000.00
Subtotal Cash Flow-out From Financing Activities		366,180,314.25	327,915,634.90
Net Cash Flow From Financing Activities		-50,680,314.25	-32,915,634.90
<b>4. Effect of exchange rate change on cash and cash equivalent</b>		-6,295.43	-39,094.78
<b>5. Net Increased Cash and Cash Equivalent</b>	XV.6	38,626,495.98	-28,244,823.67
Add: the Beginning Balance of Cash and Cash Equivalent	XV.6	47,941,532.77	76,186,356.44
<b>6. The Ending Balance of Cash and Cash Equivalent</b>	XV.6	86,568,028.75	47,941,532.77

Legal Person: Liandong Pang

Accounting Director: Peiwu Zhang

Accounting Manager: Yuangang Duan

# STATEMENT OF MOVEMENT ON EQUITY OF THE PARENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

Unit: RMB

Items	Amount for the Current Period							Total Shareholder's Equity
	Capital Share	Capital Reserves	less: Treasury Stock	Special Reserve	Surplus Reserves	Business Risk Reserve	Undistributed Profit	
1. The ending balance for last year	422,000,000.00	517,456,262.71			193,826,863.24		-155,755,581.00	977,527,544.95
Add: Changes in Accounting Policies								
Corrections for previous errors								
Others								
2. The beginning balance of this year	422,000,000.00	517,456,262.71			193,826,863.24		-155,755,581.00	977,527,544.95
3. Increase and decrease for this year (decrease represents as "-")					-155,755,581.00		3,060,072.54	-152,695,508.46
(1) Net profit							-152,695,508.46	-152,695,508.46
(2) Other Comprehensive Income								
Subtotal of (1) and (2)							-152,695,508.46	-152,695,508.46
(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. Provision for Business Risk								
III. Distribution for Shareholders								
IV. Others								
(5) Shareholder's Equity Internal transfer					-155,755,581.00		155,755,581.00	
I. Capital Reserve transfer to Capital (or Share Capital)								
II. Surplus Reserve transfer to Capital (or Share Capital)								
III. Surplus Reserve offset losses					-155,755,581.00		155,755,581.00	
IV. Others								
(6) Special Reserve								
I. Amount Provided for the Current Period								
II. Amount Expended for the Current Period								
4. The ending balance for this year	422,000,000.00	517,456,262.71			38,071,282.24		-152,695,508.46	824,832,036.49

Legal Person: **liandong Pang**

Accounting Director: **Peiwu Zhang**

Accounting manager: **Yuangang Duan**

# STATEMENT OF MOVEMENT ON EQUITY OF THE PARENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

Unit: RMB

Items	Amount for the Current Period							Total Shareholder's Equity
	Capital Share	Capital Reserves	less: Treasury Stock	Special Reserve	Surplus Reserves	Business Risk Reserve	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								
Others								
<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) Other Comprehensive Income							-187,372,668.22	-187,372,668.22
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. 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								
(6) Special Reserve								
I. Amount Provided for the Current Period								
II. Amount Expended for the Current Period								
<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

Legal Person: **liandong Pang**

Accounting Director: **Peiwu Zhang**

Accounting Manager: **Yuangang Duan**

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## I. General

Beiren Printing Machinery Holdings Company 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 RMB1 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 RMB1 Yuan.

In accordance with the "Decision on the share right reformation of Beiren Printing Machinery Holdings Limited", Jing Guo Zi Quan Zi No.25 (2006), 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 30 Jun 2009, Beiren Group Corporation have held the state-owned institutional shares 222,640,000, as 52.76% of total share rights, are all unconditioned 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 are prepared based on going concern basis. and with the reference to the actual transactions and events, the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, and notes in "IV Significant Accounting Policies and Accounting Estimates".

## 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.

### 1. Accounting period

The accounting period of the Company is from 1 January to 31 December.

### 2. Reporting currency

The base currency for book keeping of the Company is Renminbi.

### 3. Principles of accounting and measurement

The Company uses the accrual method as its basis of accounting. All assets are measured at history cost, except for financial assets for trading and financial assets available-for-sale which are measured at fair value.

### 4. Cash and cash equivalents

Cash in the cash flow statement indicates the cash on hand and the deposit in bank available for a payment 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.

### 5. Foreign exchange translation

Transactions by foreign currency are translated into RMB at the spot exchange rate of the transaction date. On the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. Except for from the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalized eventually, the exchange difference is accounted into current profit and loss. 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 profit and loss 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.

## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### IV. 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 as: financial assets measured at fair value and whose movement on fair value is accounted into current profit and loss, financial investments held-to-maturity, receivables, and financial assets available for sale.

- (1) Financial assets measured at fair value and whose movement on fair value is accounted into current profit and loss; refer to those financial assets held for sale in short-term. They are presented as financial assets held for trading in balance sheet.
- (2) Financial investments held-to-maturity 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) Loans and receivables are non-derivative financial assets with fixed or known return but no quotation in the active market.
- (4) Financial assets available-for-sale include non-derivative financial assets designated as financial assets available-for-sale initially and other financial assets not classified.

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 profit and loss, the expenses for the acquirement are accounted into the current profit and loss 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, this financial asset will be derecognized.

Financial assets, which are measured at fair value and whose movement on fair value is accounted into current profit and loss, and financial assets available-for-sale are measured subsequently at fair value. Receivables and financial investments held-to-maturity 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 profit and loss, 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.

For financial assets available-for-sale, 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 profit and loss, the Company assesses the book value of the other financial assets on balance sheet date. The provision will be made for the impairment of the financial assets which there are objective evidences showing the impairment. If the fair value of financial assets available-for-sale declines dramatically or not temporarily, the accumulated loss in the shareholders' equity will be accounted into the impairment loss of current period.

##### (2) Financial liabilities

The financial liabilities of the Company are classified into two categories when they are initially recognized: financial liabilities which are measured at fair value whose movement on fair value is accounted into current profit and loss, and other financial liabilities.

The financial liabilities which are measured at fair value and whose movement on fair value is accounted into current profit and loss are including 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 profit and loss.

The other financial liabilities are subject to effective interest method and are presented as the cost after amortization.

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements (Continued)

### 6. Financial assets and financial liabilities (Continued)

#### (3) The reorganization on the fair value of financial assets and the financial liabilities

- (1) If the active market exists for the financial instruments, the fair value will be measured at the active market price. In the active market, the fair value of the financial asset already-held or the financial liability planning-to-bear by the Company is measured at the current bid price; the fair value of the financial asset planning-to-purchase or the financial asset already-bear by the Company is measured at the current quote price. If the current bid or quote prices do not exist, and there is no significant change in the economic environment after the latest transaction, the fair value of the financial asset or liability is measured at the latest market price.
- (2) If there does not active market exist for the financial instruments, the fair value will be measured at the estimated value. The estimated value will refer to the price in the latest transaction between willing and acknowledged parties, or the current fair value of other homogenous financial assets, or the method of present value of cash flow and option pricing model.

### 7. Provision for bad debts of receivables

The Company assesses the book value of receivables on balance sheet date, and the bad debt loss is made into the current profit and loss 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 above significant level, when the receivables can not be fully collected with solid evidences, the impairment test should performed separately, and the provision of bad debts should be made 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 receivables grouped with similar risk level, taking the current conditions into consideration, the Company makes 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 made the provision fully.

### 8. Inventory

The inventory of the Company covers goods in transit, raw material, work in process, finished goods, low-valued consumables, self-made semi-finished products, and outside processing materials, etc.

The perpetual inventory system is applied to the physically count. The inventory is measured at actual cost when acquired and at weighted average cost on calculation of cost of sales. Low-valued consumables and packing materials on cyclic use should be amortized in full amount.

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 technology obsolete or selling price lower than cost, the provision of impairment for inventory will be made. The provision of impairment for finished goods and raw materials in a large amount is made on the basis of the difference of the cost of the individual inventory item over its net realizable value. The provision of impairment 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 finished goods, estimated sales expenses and relevant taxes. The net realizable value of those inventories arising from project of sales contract 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.

### 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 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.

## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements (Continued)

#### 9. Long-term equity investment (Continued)

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 financial assets available-for-sale.

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.

The cost method will be adopted, if the Company no longer held the significant influence over the invested company due to the reduce in investment, and there is no price of the long-term equity investment in the active market leading to the fair value can not be measured reliably; the cost method will be adopted for the long-term equity investment which is arising from the significant influence over the invested company due to the increase in investment. For the long-term equity investment arising from the situation that the Company can exercise the significant influence or common control over the invested company but not the power of control increase in the investment, it is measured under the equity method.

The difference between the book value and the disposal gain on the long-term equity investment is accounted into the current profit and loss. For the long-term equity investment measured under equity method, those were recorded into the equity on the changes in the equity which is excluding the net profit by the invested company, the amount was recorded into the equity will be transferred into the investment profit for the period.

#### 10. Investment in real estate

The investment in real estate includes the land use right that is rented to other parties, the land use right held for and prepared for transfer after appreciation, and buildings that are rented to other parties.

The investment in real estate is recognized at its cost. The cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset. The cost of a self-built investment real estate composes of the necessary expenses for building the asset to the hoped condition for use.

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements (Continued)

### 10. Investment in real estate (Continued)

The Company makes a follow-up measurement to the investment real estate through the cost pattern on the date of the balance sheet. The investment in real estate is amortized and depreciated basing on its useful life and the salvage value. The life time and the rate of salvage value applied by the Company are as follows:

Classification	Useful life (year)	The rate of salvage value (%)	Amortization rate (%)
Land use right	50		1.940
Buildings	40	3	2.425

When the investment in real estate is changed for owner occupied, it is recognized as fixed assets or intangible assets since the changed date. When the real estate for owner occupied is changed for generating rents or capital appreciation, it is recognized as the investment in real estate since the change date. The book value of the real estate prior to the conversion shall be entry value after conversion

If an investment real estate is disposed of, or if it withdraws permanently from use and if no economic benefit will be obtained from the disposal, the recognition of it as an investment real estate shall be terminated. When an enterprise sells, transfers or discards any investment real estate, or when any investment real estate of an enterprise is damaged or destroyed, the enterprise shall deduct the book value of the investment real estate as well as the relevant taxes from the disposal income, and include the amount in the current profits and losses.

### 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 RMB2,000.

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, 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 profit and loss. 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 profit and loss in accordance with the purposes of fixed assets. The estimated Depreciation rate and the useful life applied by the Company are as follows:

Classification	Useful life (year)	The rate of salvage value (%)	Depreciation rate (%)
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

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 profit and loss.



## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements (Continued)

#### 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 paid. 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 into fixed assets. After clearing for completed the project, the difference of the original cost of fixed assets 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 made the assets available for use or sale commences. When assets reach the status available for use or sale, the capitalization of borrowing cost ceases. The rest of borrowing cost will be accounted into current profit and loss.

The current actual interest expenses from specific borrowings are capitalized, after deducting interest income as deposit in bank or short-term investment gains. 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.

The qualified assets refer to the assets of investment in real estate and inventories which only can arrive at status of available for use or sale after purchasing and constructing in more than one year generally.

If a suspending takes place during the purchasing and constructing on the qualified assets for more than three months, the capitalization of borrowing cost is suspend until the purchasing and constructing of assets restart.

#### 14. Intangible assets

Then intangible assets of the Company including the land use right and non-patent technology are recognized at their actual cost when acquired. The cost of purchased intangible assets includes the actual purchase price and other necessary expenditures for purchase. The cost of intangible assets invested by investors is measured at the contract or agreement, except for those with unfair value in the contract or agreement.

The Company amortizes land use 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 profit and loss.

The Company makes the assessment on 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 nature of the expense and the possibility of forming into intangible asset.

For internally-generated intangible assets, the expenditures in research phase are accounted into current profit and loss. The expenditures in development phase are recognized as intangible assets if they meet the following conditions:

- (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 supporting 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.

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements (Continued)

### 15. R&D expense (Continued)

If the expenditures can not meet the above criteria, they will be accounted into the profit and loss of the 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 reaches the status of available for use.

### 16. Impairment of non-financial assets

The Company makes the assessment on the long-term equity investment, fixed assets, and construction in progress on each balance sheet date. The impairment could occur for the impairment indicators. The Company should make impairment tests. The Company should make the impairment tests on goodwill, intangible assets with uncertain useful life at the end of each year no matter if there are impairment indicators. When it is impossible to make the impairment test on the recoverable amount of an individual asset, the impairment test should be made on the basis of the corresponding assets group or the combination of group assets belongs to.

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 in the later accounting period. 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.

Indicators 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 or by normal use.
- (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 are likely to affect the discount rate used in calculating the NPV of future cash flow of assets and lead to the decrease in 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.

### 17. Long-term prepayments

The long-term prepaid expense of the Company refers to the actual expenses paid and charged into current period and later periods. The length of period is normally more than one year (excluding one year). These expenses are amortized on straight line method within beneficial periods. If the long-term prepaid expense can not benefit the later periods, the amortized price will be accounted into current profit and loss.

### 18. Employee compensation

During the accounting period of an employee' providing services to an enterprise, the enterprise shall recognize the compensation payable as liabilities. The compensations for the cancellation of the labor relationship with the employee with employees are accounted into current profit and loss.

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.

### 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, in order to indicate the most appropriate estimation of obligations.

## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### IV. 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 criteria of reorganization are as follows:

- (1) 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.
- (2) The revenue of the service will be recognized when the total income and cost can be measured reliable, economic benefits likely flow into the Company, and the percentage of completion of the service can be measured reliably.
- (3) The revenue from the property alienation will be recognized, when the economic benefits related to transactions may flow into the Company, and the amount of this relevant revenue can be measured reliably.

#### 21. 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 profit and loss within the useful life. The government subsidies pertinent to incomes are treated respectively in accordance with the indications as follows: Those subsidies used for compensating the related future expenses or losses of the Company are recognized as deferred income and accounted into current profit and loss when the relevant expenses are recognized; or those subsidies used for compensating the related expenses or losses incurred to the Company are accounted into current profit and loss directly.

#### 22. Deferred tax assets and deferred tax liability

Deferred tax assets and deferred tax liability are recognized at the differences (temporary tax 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, differed tax assets and deferred tax liability are measured at applicable tax rate.

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. For the differed tax assets 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 assets will be deducted. When it is likely to acquire sufficient amount of taxable income tax, the amount deducted can be reversed.

#### 23. 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 leaser, accounts the rental income into current period by straight line method during the term of the lease.

#### 24. Income tax accounting

The Company recognizes income tax by balance sheet method. The income taxes of the current period and deferred income tax of the Company are treated as income tax expenses for the current period, and are accounted into current profit and loss, excluding the income taxes incurred in following circumstances: the deferred tax arising from consolidation and accounted as the adjustment on the book value of goodwill; 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.

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements (Continued)

### 24. Income tax accounting (Continued)

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 at the end of period and amount recognized originally of the deferred tax assets and deferred tax liability by the balance sheet liability method.

### 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 fully. The parts of subsidiaries' equity non-attributable to parent company are regarded as minority interest listed separately in owners' equity in consolidated financial statements.

Where there are inconsistent accounting policies and accounting period for the subsidiaries, the Company adjusts the subsidiaries' financial statements in accordance with the Company's accounting policies and accounting period when preparing the consolidated financial statements.

For the subsidiaries 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 acquired 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 involved in the scope of consolidation of the financial statements from the beginning of the combination period according to the original book value.

## V. Taxation

### 1. The Main Taxation Category And Tax Rate

Category	Tax Base	Tax Rate (%)
VAT	Goods sale revenue	17
Business Tax	Taxable revenue	5
City Maintenance and Construction Education Surcharges	VAT or Business tax payable	5-7
	VAT or Business tax payable	3-4
Estate Tax	Lease income and 70-80% of the estate's original value	1.2-12
Enterprise Income Tax	Taxable income	25

Tax rates for subsidiaries are as following:

Company	Tax Rate (%)
Shaanxi Beiren Printing Machinery Co., Ltd.	15
Beijing Beiren Fuji Printing Machinery Co., Ltd.	25
Haimen Beiren Printing Machinery Co., Ltd.	25
Beiren Yixin (Beijing) Technology Development Co., Ltd.	25
Beijing Beiren Yuxin Offset Printing Co., Ltd.	25
Beijing Beiren Jingyan Printing Machinery Factory	25

### 2. Taxation Benefits And Approval

Shaanxi Beiren Printing Machinery Co., Ltd. as the subsidiary of the Company, was certified as High and New Technology Enterprise on 11 Dec 2008, and the certificate with No. GR200861000339 was issued by Technology Office of Shaanxi Province, Financial Office of Shaanxi Province, National Taxation Bureau of Shaanxi Province, Local Taxation Bureau of Shaanxi Province.

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VI. Consolidation and Consolidated Financial Statements

### 1. Major subsidiaries

Unit: 10'000

Company	Nature	Registration Location	Registered Capital	Operating Scope	Investment Amount	Accounts Balance of the Net Investment to the Subsidiary	Share-holding (%)	Voting Right (%)	Consolidated (Yes/Not)	Minority Interest	Minority Interest	Balance after the Parent's Equity written-off the Current Loss Borne by Minority Share-holders which is over the Percentage Borne of the Beginning Equity
<b>Subsidiaries acquired under non-common control</b>												
Shaanxi Beiren Printing Machinery Co., Ltd.	Limited Liability company	Weinan City, Shaanxi Province	11,500	Manufacturing selling and maintaining printing machine, packing machine, engineering machine, and electrical equipments. Relevant fittings manufacture, sale, type setting and the printing machine production and sale.	9,918.00	0.00	86.24	86.24	Yes	7,804,408.53	0.00	0.00
Haimen Beiren Fuji Printing Machinery Co., Ltd.	Limited Liability company	Haimen City, Jiangsu Province	5,100	Manufacture printing machine and relevant fittings	3,484.80	0.00	82.54	82.54	Yes	1,505,732.03	0.00	0.00
Beijing Beiren Yuxin Offset Printing Co., Ltd.	Limited Liability company	Dongcheng District, Beijing City	2,243	Book printing, binding, typesetting and plate making	1,540.00	0.00	68.66	68.66	Yes	34,200.14	0.00	0.00
<b>Other Acquired Subsidiaries</b>												
Beijing Beiren Fuji Printing Machinery Co., Ltd.	Sino-Foreign Equity Joint Venture Enterprise	Chaoyang District, Beijing City	USD 510	Manufacturing printing machine, selling self-manufactured products	2,963.27	0.00	70.00	70.00	Yes	11,086,858.68	0.00	0.00
Beiren Yixin (Beijing) Technology Development Co., Ltd.	Limited Liability company	Yizhuang Economic Development Zone, Beijing City	100	Service	100.00	0.00	100.00	100.00	Yes	0.00	0.00	0.00
Beijing Beiren Jingyan Printing Machinery Factory	Joint stock company	Yanqing Country, Beijing City	2,105	Manufacturing printing machine and relevant components, providing relevant technical consulting services	2,100.00	0.00	99.76	99.76	Yes	30,903.95	0.00	0.00

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VI. Consolidation and Consolidated Financial Statements (Continued)

### 2. The change of the scope of consolidated financial statements

#### (1) New consolidation company prospects

Name	Reason	(%)	Year end net asset	Net profit for the year
Beiren yixin (Beijing) Technological Development Company Limited	New establishment	100.00	999,749.58	-250.42

#### (2) Non-consolidation company prospects

Name	Reason	(%)	31 Mar, 2009 net asset	1 Jan-31 Mar, 2009 net profit
Hebei Beiren Paper Feeder Company Limited	Sales shares	50.68	-580,814.67	188,375.48

Subsidiary that lose controlling power because of selling share

Name	Sales date	Profit and loss method
Hebei Beiren Paper Feeder Company Limited	31 Mar 2009	equity method

## VII. Notes of Main Items of Consolidated Financial Statements

Following disclosed financial Statement data, except special indicates, “the beginning of the year” refers to 1 January 2009, “the end of the period” refers to 31 December 2009, “this period” refers to the year from 1 January 2009 to 31 December 2009, “last period” refers to the year from 1 January 2008 to 31 December 2008, the monetary unit is a CHY.

### 1. Monetary fund

Item	31 Dec 2009			1 Jan 2009		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Cash on hand			20,238.66			92,177.41
Including: CHY	17,273.21		17,273.21	91,493.88		91,493.88
USD	429.00	6.8282	2,929.30	100.00	6.8346	683.53
YEN	489.84	0.0738	36.15	0.00		0.00
Bank deposit			112,120,067.06			66,411,332.59
Including: CHY	111,472,782.44		111,472,782.44	65,427,167.41		65,427,167.41
USD	78,009.09	6.8282	532,661.67	127,018.94	6.8346	868,126.07
HKD	76,386.73	0.8805	67,258.52	76,174.92	0.8819	67,178.66
YEN	641,794.44	0.0738	47,364.43	645,875.00	0.0757	48,860.45
Other monetary funds			7,287,683.47			8,280,000.00
CHY	7,287,683.47		7,287,683.47	8,280,000.00		8,280,000.00
<b>Total</b>			<b>119,427,989.19</b>			<b>74,783,510.00</b>

(1) As of 31 December 2009, other monetary funds, including bank guarantee acceptances RMB7,087,683.47 yuan, guarantee deposit RMB200,000.00 yuan.

(2) As of 31 December 2009, the bank deposit the Company, a subsidiary of Beijing Beiren Yuxin Offset Printing Company Limited (hereinafter referred to as “Beiren Yuxin”), which is deposited in Bank of Beijing Jingshan branch of the basic household accounts 010903142001201080714-91 was preserved, final accounts balance of RMB290,655.41 yuan. Preservation for the following reasons:

Shandong Province, Printing Materials Corporation (hereinafter referred to as “Shandong Printing”) on August 28, 2009 prospect to the Jinan City, Shandong Province, Lixia District People’s Court for Beiren Yuxin to pay the overdue payment RMB2,408,232.92 yuan RMB268,731.98, and bear all litigation costs and attorney fees of Shandong Printing. Shandong Printing appealed for the preservation at the same time requested to freeze the bank deposit of the Beiren Yuxin RMB2.8 millions yuan, and had provided guarantees. Lixia District, Jinan City, People’s Court on 7 September 2009 request Jingshan Branch of Bank of Beijing to prevent the basic bank account of Beiren Yuxin 010903142001201080714-91.

(3) Ending balance of monetary increased of 59.70% compared with the opening balance . It was mainly because the company enforced its efforts to recover debts, to avoid the risk of bad debts.

## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### VII. Notes of Main Items of Consolidated Financial Statements (Continued)

#### 2. Notes receivable

##### (1) Types

Type	31 Dec 2009	1 Jan 2009
Bank acceptance notes	16,707,773.38	7,830,646.60

(2) The end of the period without notes receivable for the pledge.

(3) The end of the period, without notes receivables transferred to accounts receivables, because of the drawer's inability to perform.

(4) Closing balance of notes receivable balances increase of 113.36% compared with the beginning of this year, it was because the Company strengthened its efforts to recover debts of the period. Notes in large amount which have endorsed to the other party by not yet due.

##### (5) At the end to the other party has endorsed but not yet due in large bills

Type	Issuing Company	Issuing date	Maturity date	Amount
Bank acceptance notes	Zhejiang Wuyi Zhangshi Packing Industry Co., Ltd.	2009-11-25	2010-5-24	2,880,000.00
Bank acceptance notes	Kunming Furui Packing Co., Ltd.	2009-9-8	2010-3-8	2,000,000.00
Bank acceptance notes	Jiangxi Printing Materials Corporation	2009-11-25	2010-5-25	1,770,000.00
Bank acceptance notes	Shanghai Zhong Teng Concrete Co., Ltd.	2009-11-23	2010-5-23	1,500,000.00
Bank acceptance notes	Beijing Huilin Printing Co., Ltd.	2009-11-27	2010-05-27	1,460,000.00
<b>Total</b>				<b>9,610,000.00</b>

#### 3. Accounts receivable

##### (1) Risk classification for accounts receivable

Item	31 Dec 2009				1 Jan 2009			
	Book value		Bad debts		Book value		Bad debts	
	Amount	Percent %	Provision for bad debts	Percent %	Amount	Percent %	Provision for bad debts	Percent %
Significant accounts receivable	24,920,000.00	7.21	0.00	0.00	28,920,000.00	7.44	0.00	0.00
Insignificant accounts receivable with accumulated high credit risk	243,044,274.49	70.37	77,394,430.52	85.76	277,064,607.75	71.27	77,533,462.53	86.23
Other insignificant accounts receivable	77,450,298.28	22.42	12,852,215.35	14.24	82,740,426.73	21.29	12,382,930.83	13.77
<b>Total</b>	<b>345,414,572.77</b>	<b>100.00</b>	<b>90,246,645.87</b>	<b>100.00</b>	<b>388,725,034.48</b>	<b>100.00</b>	<b>89,916,393.36</b>	<b>100.00</b>

(1) At the end of the period, significant individual accounts receivable or insignificant accounts receivable which impairment test required:

CO. Name	Book Bal.	Bad debts	(%)	Reason
Sports Publication (Donghua Hanlin)	24,920,000.00	0.00	0.00	Within 1 year, long-time client
Yunnan Yuxi Chuangxin Colour Printing Company Limited	4,340,000.00	0.00	0.00	long-time client
Brazil PLASC Company	3,925,449.62	0.00	0.00	Within 1 year, L/C
Shantou Chengtao Printing Company Limited	2,939,000.00	0.00	0.00	Within 1 year, long-time client
Other 430 companies (small amount)	66,245,848.66	12,852,215.35	19.40	Partial could not collect
<b>Total</b>	<b>102,370,298.28</b>	<b>12,852,215.35</b>		

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VII. Notes of Main Items of Consolidated Financial Statements (Continued)

### 3. Accounts receivable (Continued)

#### (1) Risk classification for accounts receivable (Continued)

(2) Insignificant accounts receivable in individual amounts, but with credit risk after the risk classification

Item	31 Dec 2009			1 Jan 2009		
	Amount	Percent%	Provision for bad debts	Amount	Percent%	Provision for bad debts
Within 1 year	110,671,289.08	45.54	0.00	127,769,461.98	46.12	0.00
1 year-2 years	57,782,121.57	23.77	17,334,636.47	87,992,378.50	31.76	26,397,713.55
2 years-3 years	36,327,674.48	14.95	21,796,604.69	25,417,545.72	9.17	15,250,527.43
Over 3 years	38,263,189.36	15.74	38,263,189.36	35,885,221.55	12.95	35,885,221.55
<b>Total</b>	<b>243,044,274.49</b>	<b>100.00</b>	<b>77,394,430.52</b>	<b>277,064,607.75</b>	<b>100.00</b>	<b>77,533,462.53</b>

(2) The Company has collected the amount of RMB591,374.08 yuan which recognized as provision of bad debts, the corresponding reversal of bad debts has been made.

(3) This year, the Company has collected RMB103,000.00 yuan which have been written off against the Shanghai Beiren Multiple Trade Mansion.

(4) The year the actual write-off of accounts receivable RMB388,803.42 yuan.

(5) Changes in the current year due to reduction in scope of consolidation for bad debts RMB127,537.98 yuan.

(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:**

Company	31 Dec 2009		1 Jan 2009	
	Amount	Bad debts provision	Amount	Bad debts provision
Beiren Group Co.	0.00	0.00	590,000.00	0.00

(7) **the amount of accounts receivable of the top five:**

Co. Name	relationship to the company	Amount	Aging	(%)
Sports Publication (Donghua Hanlin)	company's client	24,920,000.00	within 1 year	7.21
Suzhou Daily	company's client	12,476,000.00	within 1 year	3.61
Beijing Huilin Printing Co., Ltd.	company's client	8,240,000.00	1-2 year	2.39
Chengdu Beiren Printing Materials Corporation	company's client	6,400,000.00	1-2 year	1.85
Wuxi Daily	company's client	6,290,000.00	1-2 year	1.82
<b>Total</b>		<b>58,326,000.00</b>		<b>16.88</b>

(8) **Related parties of accounts receivable**

Co. Name	relationship to the company	amount	(%)
Beijing Mitsubishi Heavy Industries			
Beiren Printing Machinery Co., Ltd.	Associates	218,337.63	0.06
Beijing Monigraf Automations Co., Ltd.	Associates	25,061.40	0.01
<b>Total</b>		<b>243,399.03</b>	

(9) **Account receivables contains following balances in foreign currencies**

Foreign currency	Foreign currency	30 Jun 2009		Foreign currency	1 Jan 2009	
		Exchange rate	RMB		Exchange Rate	RMB
USD	894,751.80	6.8282	6,109,544.26	217,175.00	6.8346	1,484,304.26



## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### VII. Notes of Main Items of Consolidated Financial Statements (Continued)

#### 4. Advances to suppliers

##### (1) Aging of advances to suppliers

Item	31 Dec 2009		1 Jan 2009	
	Amounts	Percentage %	Amounts	Percentage %
Within 1 year	17,245,236.87	92.72	25,202,507.09	93.61
1 year-2 years	718,652.08	3.86	1,227,762.31	4.56
2 years-3 years	444,563.58	2.39	326,565.43	1.21
Over 3 years	191,567.66	1.03	165,133.57	0.62
<b>Total</b>	<b>18,600,020.19</b>	<b>100.00</b>	<b>26,921,968.40</b>	<b>100.00</b>

##### (2) The main unit of advances to suppliers

Name	relationship with the Company	amount	aging	the reasons for pending
Henry Yuan Packaging Technology Co., Ltd.	company's suppliers	3,956,784.07	within a year	not completed
Gao De Ke (Shanghai) Trading Co., Ltd.	company's suppliers	1,620,500.00	within a year	not completed
B & R Industrial Automation International Trade Company	company's suppliers	824,174.52	within a year	not completed
IMC Joint Beijing Equipment Co., Ltd.	company's suppliers	495,000.00	within a year	not completed
KAWAHONGPACKAGING Company	company's suppliers	492,457.16	within a year	not completed
<b>Total</b>		<b>7,388,915.75</b>		

(3) Does not contain the end of advances to suppliers of company 5% (including 5%) or more of the shareholders voting shares outstanding.

##### (4) Account receivables contains following balances in foreign currencies

Foreign currency	31 Dec 2009			1 Jan 2009		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange Rate	RMB
USD	72,121.08	6.8282	492,457.16	176,890.92	6.8346	1,208,978.66
EURO	0.00		0.00	23,400.00	9.6590	226,020.60
YEN	1,935,776.56	0.0738	142,860.31	0.00		0.00
Total			<b>635,317.47</b>			<b>1,434,999.26</b>

#### 5. Dividend receivable

Item	1 Jan 2009	Increase	Decrease	31 Dec 2009	Reason for non-recoverable	
					Whether impaired	
less than 1 year dividend receivable	622,300.00	0.00	622,300.00	0.00	—	—
include:					—	—
Beijing Monigraf Automations Co. Ltd.	622,300.00	0.00	622,300.00	0.00	—	—

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VII. Notes of Main Items of Consolidated Financial Statements (Continued)

### 6. Other receivables

#### (1) Aging analysis for other receivables

Item	31 Dec 2009			1 Jan 2009		
	Amount	Proportion %	Provision for bad debts	Amount	Proportion%	Provision for bad debts
Within 1 year	14,536,058.51	31.91	1,536,650.07	26,396,235.40	53.73	1,009,873.13
1-2 years	9,976,403.11	21.90	0.00	4,269,907.40	8.69	2,207,867.81
2-3 years	3,091,944.44	6.79	2,880,451.88	918,080.18	1.87	342,397.67
Over 33 years	17,945,952.51	39.40	10,794,052.88	17,541,712.05	35.71	10,529,387.12
<b>Total</b>	<b>45,550,358.57</b>	<b>100.00</b>	<b>15,211,154.83</b>	<b>49,125,935.03</b>	<b>100.00</b>	<b>14,089,525.73</b>

#### (2) Risk classification for other receivables

Item	31 Dec 2009				1 Jan 2009			
	Book value		Bad debt		Book value		Bad debt	
	Amount	Percent %	Provision for bad debts	Percent %	Amount	Percent %	Amount	Percent %
Other receivables material in amounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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 non-material in amounts	45,550,358.57	100.00	15,211,154.83	100.00	49,125,935.03	100.00	14,089,525.73	100.00
<b>Total</b>	<b>45,550,358.57</b>	<b>100.00</b>	<b>15,211,154.83</b>	<b>100.00</b>	<b>49,125,935.03</b>	<b>100.00</b>	<b>14,089,525.73</b>	<b>100.00</b>

(1) A significant amount of year-end individual, or while not significant, but a separate impairment test made on other accounts receivable

CO. Name	Book value	Bad debts	(%)	Reason
Beijing Offset Point Factory	14,721,293.44	0.00	0.00	See notes(5)-3
South-Eastern Asia	9,088,241.00	9,088,241.00	100.00	Aged longer, it is difficult to recover
Xi'an Office of Huarong Assets Management Company	6,328,000.00	0.00	0.00	See notes(5)-1
Others	15,412,824.13	6,122,913.83	39.73	Aging portion is longer, is expected to be difficult to recover
<b>Total</b>	<b>45,550,358.57</b>	<b>15,211,154.83</b>		

(3) this year, the company have collected RMB69,858.21 yuan which has been made for the provision of bad debts for other receivables recovered, the corresponding reversal of bad debts has been made.

(4) the actual write-off this year to other receivables RMB9,808.00 yuan

(5) For the ending balance of other accounts receivable, there are no debts from shareholders who hold over 5% (including 5%) of the Company's shares of voting right

(6) Other receivables with significant amount of ending balance are as follows:

Company	Relation to the Company	Amount	Aging	Percent(%)	Nature or content
Xi'an Office of Huarong Assets Management Company (Note 1)	Minority shareholders of subsidiaries	6,328,000.00	Over 3 years	13.89	Note.1
Southeast Asia	The company's client	9,088,241.00	Over 3 years	19.95	Note.2
Beijing Offset Point Factory	Minority shareholders of subsidiaries	14,721,293.44	Within 1 year	32.32	Note.3
<b>Total</b>		<b>30,137,534.44</b>			

## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### VII. Notes of Main Items of Consolidated Financial Statements (Continued)

#### 6. Other receivables (Continued)

(6) Other receivables with significant amount of ending balance are as follows: (Continued)

Note 1: 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.

Note 2: 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.

Note 3: The amount receivable of offset Printing company owned subsidiary of the Company Beiren Xinyu between the minority section. The company's deal with Beijing offset printing company RMB2,955 millions (see Note 7.23), payable over accounts receivable, there is no occupier funding in Beiren Beijing offset printing company.

#### (7) The amounts due from related parties

Company name	Relation to the Company	Amount	Percent(%)
Beijing Monigraf Automations Co. Ltd.	associates	50,331.00	0.11

#### (8) Other receivables contains following balances in foreign currencies:

Foreign currency	Foreign currency	31 Dec 2009 Exchange Rate	Amount (RMB)	Foreign currency	1 Jan 2009 Exchange Rate	Amount (RMB)
HKD	10,305,296.52	0.8805	9,088,241.00	10,305,296.52	0.8819	9,088,241.00

#### 7. Inventory

##### (1) Categories of inventories

Item	Book balance	31 Dec 2009		Book balance	1 Jan 2009	
		Provision for impairment	Book value		Provision for impairment	Book value
Raw materials	79,638,996.02	3,081,015.39	76,557,980.63	91,888,198.80	3,022,074.01	88,866,124.79
Work in progress	349,398,405.22	70,221,424.41	279,176,980.81	393,023,499.61	52,698,719.17	340,324,780.44
Storage goods	142,329,401.85	34,352,313.11	107,977,088.74	274,634,849.56	65,890,467.77	208,744,381.79
Low value consumables	1,826,160.40	0.00	1,826,160.40	2,318,319.29	0.00	2,318,319.29
Self made semi-finished goods	19,057,157.13	329,265.24	18,727,891.89	16,870,894.77	329,265.24	16,541,629.53
Work in process-outsourced	5,037,930.17	0.00	5,037,930.17	2,709,605.85	0.00	2,709,605.85
<b>Total</b>	<b>597,288,050.79</b>	<b>107,984,018.15</b>	<b>489,304,032.64</b>	<b>781,445,367.88</b>	<b>121,940,526.19</b>	<b>659,504,841.69</b>

##### (2) Impairment provision for inventory

Item	1 Jan 2009	Reduces in Period			31 Dec 2009
		Increase	Reversal	Transferred out	
Raw materials	3,022,074.01	256,410.26	0.00	197,468.88	3,081,015.39
Work in progress	52,698,719.17	26,115,663.16	0.00	8,592,957.92	70,221,424.41
storage goods	65,890,467.77	6,685,472.13	0.00	38,223,626.79	34,352,313.11
Self made semi-finished goods	329,265.24	0.00	0.00	0.00	329,265.24
<b>Total</b>	<b>121,940,526.19</b>	<b>33,057,545.55</b>	<b>0.00</b>	<b>47,014,053.59</b>	<b>107,984,018.15</b>

(3) The end of 2009, the company's closing stock impairment testing, according to the amount of future recoverable 3,306 millions provision for decline in value of inventories. Other roll-out for the disposal of the backlog of inventory write-offs that have been a corresponding decline in value of provision for inventory.

(4) For provision policy, see Notes 4(8).

(5) No inventory has been mortgaged or frozen at the year end.

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VII. Notes of Main Items of Consolidated Financial Statements (Continued)

### 8. Long-term equity investments

#### (1) Categories of long-term equity investments

Item	31 Dec 2009	1 Jan 2009
Accounted in cost method	50,000.00	50,000.00
Accounted in equity method	15,100,595.32	14,478,492.90
<b>Total</b>	<b>15,150,595.32</b>	<b>14,528,492.90</b>
Less: provision for impairment on long-term equity investments	50,000.00	50,000.00
<b>Net book value</b>	<b>15,100,595.32</b>	<b>14,478,492.90</b>

#### (2) Accounted in cost and equity method

Name of invested Companies	Share holding %	Voting right %	Original amounts	1 Jan 2009	Increase	Decrease	31 Dec 2009	Cash dividends 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
In equity method								
Beijing Monigraf Automations Co. Ltd.	49	49	3,675,000.00	8,794,891.76	84,321.25	0.00	8,879,213.01	0.00
Beijing Beiyong Moulding Co., Ltd.	20	20	1,136,000.00	5,683,601.14	537,761.17	0.00	6,221,362.31	0.00
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	49	49	22,540,000.00	0.00	0.00	0.00	0.00	0.00
Sub-total			27,351,000.00	14,478,492.90	622,102.42	0.00	15,100,595.32	0.00
<b>Total</b>			<b>27,401,000</b>	<b>14,528,492.90</b>	<b>622,102.42</b>	<b>0.00</b>	<b>15,150,595.32</b>	<b>0.00</b>

#### (3) Associations

Company name	Type	Registered Location	Legal Representative	Business Nature	Login Capital (RMB)	Share holding %	Voting Right %
Consortium							
Beijing Monigraf Automations Co. Ltd.	Joint venture company	Beijing	Zhang peiwu	Manufacturing	1,500.00	49	49
Beijing Beiyong Casting Co. Ltd.	limited company	Beijing	Pang liandong	Manufacturing	568.00	20	20
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	Joint venture company	Beijing	Pang liandong	Manufacturing	4,600.00	49	49
<b>Total</b>					<b>6,668.00</b>		

Company name	31 Dec 2009 Total assets	31 Dec 2009 Total liabilities	31 Dec 2009 Net assets	Revenue for this year	net profit for this year
Consortium					
Beijing Monigraf Automations Co. Ltd.	26,554,332.22	8,433,489.34	18,120,842.88	13,967,328.82	172,084.19
Beijing Beiyong Casting Co. Ltd.	85,561,619.95	54,454,708.46	31,106,911.49	102,649,871.92	2,688,905.83
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	178,285,766.88	209,933,686.98	-31,647,920.10	23,178,396.56	-12,073,196.84
<b>Total</b>	<b>290,401,719.05</b>	<b>272,821,884.78</b>	<b>17,579,834.27</b>	<b>139,795,597.30</b>	<b>-9,212,206.82</b>

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VII. Notes of Main Items of Consolidated Financial Statements (Continued)

### 8. Long-term equity investments (Continued)

#### (4) Provision for impairment on long-term equity investments

Company	1 Jan 2009	Provision	Reduces in Period	31 Dec 2009	Reason
Ying Shen Associated Company Limit	50,000.00	0.00	0.00	50,000.00	expected to be difficult to recover

### 9. Investment properties

#### Accounted in cost methods

Item	1 Jan 2009	Increase	Decrease	31 Dec 2009
<b>Original cost</b>				
Buildings	23,046,189.70	0.00	0.00	23,046,189.70
<b>Accumulated depreciation</b>				
Buildings	7,243,993.48	754,290.43	0.00	7,621,138.87
<b>Net book value</b>				
Buildings	15,802,196.22			15,047,905.79
<b>Impairment provision</b>				
Buildings	0.00	0.00	0.00	0.00
<b>Book value</b>				
Buildings	15,802,196.22			15,047,905.79

### 10. Non-current assets

#### (1) Non-current assets list

Item	1 Jan 2009	Increase	Decrease	31 Dec 2009
<b>Original Cost</b>	1,206,501,512.79	3,500,546.55	24,751,976.12	1,185,250,083.22
Building	581,941,605.27	866,011.40	2,129,390.12	580,678,226.55
Machinery	544,525,460.91	1,399,613.53	13,400,784.48	532,524,289.96
Transportation facilities	20,245,218.73	1,005,120.08	3,447,579.39	17,802,759.42
Office equipment	54,030,451.99	212,963.93	5,743,285.24	48,500,130.68
Others	5,758,775.89	16,837.61	30,936.89	5,744,676.61
<b>Accumulated depreciation</b>	513,829,881.20	44,697,777.71	20,892,936.17	537,634,722.74
Building	103,451,670.09	17,726,357.28	656,503.84	120,521,523.53
Machinery	355,635,942.77	22,082,520.40	11,813,505.69	365,904,957.48
Transportation facilities	10,680,482.01	1,640,918.06	2,772,423.24	9,548,976.83
Office equipment	42,439,302.44	3,090,866.29	5,628,053.20	39,902,115.53
Others	1,622,483.89	157,115.68	22,450.20	1,757,149.37
<b>Net book value</b>	692,671,631.59			647,615,360.48
Building	478,489,935.18			460,156,703.02
Machinery	188,889,518.14			166,619,332.48
Transportation facilities	9,564,736.72			8,253,782.59
Office equipment	11,591,149.55			8,598,015.15
Others	4,136,292.00			3,987,527.24
<b>Impairment provision</b>	20,868,981.71	290,071.82	273,714.62	20,885,338.91
Building	0.00	0.00	0.00	0.00
Machinery	20,753,981.71	290,071.82	273,714.62	20,770,338.91
Transportation facilities	115,000.00			115,000.00
Office equipment	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
<b>Net book value</b>	671,802,649.88			626,730,021.57
Building	478,489,935.18			460,156,703.02
Machinery	168,135,536.43			145,848,993.57
Transportation facilities	9,449,736.72			8,138,782.59
Office equipment	11,591,149.55			8,598,015.15
Others	4,136,292.00			3,987,527.24

(1) for the increase in the fixed assets of the period, the amount of RMB1,423,051.84 was transferred from construction in progress. Among the increase in accumulated depreciation, the depreciation of RMB44,697,777.71 yuan accrued in the year.

(2) Fixed assets this year, some houses and buildings and machinery and equipment collateral to the bank as a short-term loan guarantee, including the building housing the original value RMB73,565,024.71 yuan, net RMB68,037,344.24 yuan; 7,396,860.00 yuan original value of machinery and equipment, net RMB1,282,100.85 yuan

(2) There are no idle fixed assets for the current period.

(3) There are no finance lease of fixed assets.

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VII. Notes of Main Items of Consolidated Financial Statements (Continued)

### 10. Non-current assets (Continued)

#### (4) Fixed assets leased out through an operating lease:

Building	Book value
Machinery	63,670,779.83
Transportation facilities	2,379,758.16
Office equipment	42,873.30
<b>Total</b>	<b>66,093,411.29</b>

#### (5) at the end of the fixed assets held for sale

Name	Book value	Fair value	Estimated disposal cost	Estimated disposal time
Off the four-color offset printing press	1,714,400.00	1,714,400.00	0.00	Before 30 June 2010

The company's subsidiary, Beiren Yuxin the new scheme people will be a book value of RMB2,004,471.82 yuan sets the N300 off the four-color offset printing press used to cover accounts. The equipment has been assessed to confirm the fair value of RMB1,714,400.00 yuan. Company identified as held for sale of its fixed assets, and book value is higher than the difference between the fair value of provision for impairment of fixed assets.

### 11. Construction in progress

#### (1) Construction in progress list

Name	31 Dec 2009			1 Jan 2009		
	Book balance	provision	Book value	Book balance	provision	Book value
Construction Equipments in installation	654,522.00	0.00	654,522.00	41,538.00	0.00	41,538.00
Others	2,366,924.26	0.00	2,366,924.26	2,256,330.40	0.00	2,256,330.40
	1,257,637.73	0.00	1,257,637.73	1,425,387.73	0.00	1,425,387.73
<b>Total</b>	<b>4,279,083.99</b>	<b>0.00</b>	<b>4,279,083.99</b>	<b>3,723,256.13</b>	<b>0.00</b>	<b>3,723,256.13</b>

### 12. Intangible assets

Item	1 Jan 2009	Increase	Decrease	31 Dec 2009
<b>Original Cost</b>	149,428,150.16	511,908.00	1,603,336.39	<b>148,336,721.77</b>
Land use right	147,166,043.77	511,908.00	0.00	<b>147,677,951.77</b>
Non-patent technology	1,603,336.39	0.00	1,603,336.39	<b>0.00</b>
Software	658,770.00	0.00	0.00	<b>658,770.00</b>
<b>Accumulated depreciation</b>	19,872,895.49	2,963,785.74	1,407,586.39	<b>21,429,094.84</b>
Land use right	18,049,691.10	2,894,841.74	0.00	<b>20,944,532.84</b>
Non-patent technology	1,407,586.39	0.00	1,407,586.39	<b>0.00</b>
Software	415,618.00	68,944.00	0.00	<b>484,562.00</b>
<b>Net book value</b>	129,555,254.67			<b>126,907,626.93</b>
Land use right	129,116,352.67			<b>126,733,418.93</b>
Non-patent technology	195,750.00			<b>0.00</b>
Software	243,152.00			<b>174,208.00</b>
<b>Impairment provision</b>	0.00	0.00	0.00	<b>0.00</b>
Land use 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>	129,555,254.67			<b>126,907,626.93</b>
Land use right	129,116,352.67			<b>126,733,418.93</b>
Non-patent technology	195,750.00			<b>0.00</b>
Software	243,152.00			<b>174,208.00</b>

Among the increasing of accumulated amortization, this year is RMB2,963,785.74 yuan.

Some of land use right with original cost of RMB23,947,056.00 and net book value of RMB21,991,273.97 were pledged to bank for short-term loans.

## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### VII. Notes of Main Items of Consolidated Financial Statements (Continued)

#### 13. Long-term accrued expense

Items	1 Jan 2009	Increase	Decrease	Other reductions this year	31 Dec 2009	Reason
Land development expense	11,996,291.10	0.00	66,000.00	0.00	11,930,291.10	

#### 14. Deferred tax asset

##### (1) Recognized Deferred tax asset

Item	31 Dec 2009	1 Jan 2009
Recognized Deferred tax asset		
Asset impairment	7,723,350.72	8,219,022.13
Depreciation of fixed assets	158,543.66	157,429.43
Accrued staff salaries	358,182.38	275,253.03
<b>Total</b>	<b>8,240,076.76</b>	<b>8,651,704.59</b>

##### (2) The details are not recognized deferred income tax assets

Items	31 Dec 2009	1 Jan 2009
Asset impairment	195,646,268.56	204,545,014.15
Tax losses	364,889,744.98	190,762,830.19
<b>Total</b>	<b>560,536,013.54</b>	<b>395,307,844.34</b>

Since consecutive losses, undistributed profits have -26,533.05 millions in estimated future can not be achieved in full during the taxable income for the deductible, not confirmed during the period of deferred tax assets of the emerging.

##### (3) The maturity schedule of non-recognized deferred tax income assets, which are available to written-off against the loss is as follows:

Items	The ending balance of the year
2010	532,092.08
2011	22,964,295.72
2012	7,030,176.21
2013	160,236,266.18
2014	174,126,914.79
<b>Total</b>	<b>364,889,744.98</b>

##### (4) Recognized temporary difference in deferred tax assets at the end balance

Items	Amount
Provision for bad debts	15,598,534.06
Provision for diminution in value of inventories	23,082,355.14
Impairment provision of long-term equity investment	50,000.00
Depreciation & Impairment of non-current assets	634,174.62
Employee Compensation Payable	1,432,729.52
<b>Total</b>	<b>40,797,793.34</b>

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VII. Notes of Main Items of Consolidated Financial Statements (Continued)

### 15. Provision of impairment for assets:

Item	1 Jan 2009	Increase	Decrease		31 Dec 2009
			Returning	Other transfers out	
Provision of impairment for Bad debts	104,005,919.09	1,978,031.01	0.00	526,149.40	<b>105,457,800.70</b>
Provision of impairment for Inventory	121,940,526.19	33,057,545.55	0.00	47,014,053.59	<b>107,984,018.15</b>
Provision of impairment for long-term equity investments	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	290,071.82	0.00	273,714.62	<b>20,885,338.91</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>246,865,426.99</b>	<b>35,325,648.38</b>	<b>0.00</b>	<b>47,813,917.61</b>	<b>234,377,157.76</b>

The other roll-out of accounts receivable for bad debts write-offs of this year for the corresponding write-off of accounts receivable for bad debts RMB398,611.42 yuan, and a result of changes in scope of consolidation to reduce bad debts RMB127,537.98 yuan.

### 16. Short-term loans

#### (1) Listed as loan category

Type	31 Dec 2009	1 Jan 2009
Credit bank loans	<b>0.00</b>	42,742,750.00
Mortgaged bank loans	<b>69,450,000.00</b>	116,950,000.00
Guaranteed bank loans	<b>15,400,000.00</b>	21,000,000.00
Pledged bank loans	<b>230,000,000.00</b>	180,000,000.00
<b>Total</b>	<b>314,850,000.00</b>	360,692,750.00

(1) The end of mortgage to net RMB69,319,445.09 yuan fixed assets, and net RMB21,991,273.97 yuan of land use rights as collateral.

(2) The end of the credit loan with Beijing Beijing Electrical Holding Co., Ltd. commissioned the Beijing branch of Bank of Kim Yun loans to the company's RMB8,500 millions yuan, RMB5,000 yuan and RMB1,500 yuan, totaling RMB15,000 million loan for a year, the interest rate is not high bank lending rates over the same period; this company to the capital Beijing Electrical Holdings Co., Ltd. RMB8,000 millions in short-term lending, borrowing a period of two months, the interest rate is not higher than bank lending rates over the same period, that loan was repaid in January 2010.

### 17. Notes payable

Type of Loan	31 Dec 2009	1 Jan 2009
Bank Acceptance	<b>13,900,000.00</b>	8,000,000.00

The next fiscal year will be due in the amount of RMB13,900,000.00 yuan.



## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
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### VII. Notes of Main Items of Consolidated Financial Statements (Continued)

#### 18. Accounts payable

##### (1) Accounts payable

Item	31 Dec 2009	1 Jan 2009
<b>Total</b>	<b>379,540,583.68</b>	405,817,379.06
Including: over one year	<b>98,239,307.88</b>	88,517,003.08

##### (2) Accounts payable to shareholders who hold 5% or more of the share capital of the Company:

Name of the Company	31 Dec 2009	1 Jan 2009
Beiren Group Corporation	<b>1,997,780.00</b>	2,318,780.11

(3) The end of the opening balance of the accounts payable balance of less than 6.48%, mainly due to a decrease this year to purchase.

##### (4) Account payable contains following balances in foreign currencies

Foreign Currency	31 Dec 2009			1 Jan 2009		
	YEN	Exchange rate	RMB	YEN	Exchange rate	RMB
YEN	<b>1,498,134.42</b>	<b>0.0738</b>	<b>110,562.32</b>	380,400.00	0.07565	28,777.26

#### 19. Advances from customers

##### (1) Advances from customers

Item	31 Dec 2009	1 Jan 2009
<b>Total</b>	<b>94,623,242.70</b>	60,111,842.44
Include: more than one year	<b>10,095,261.43</b>	9,624,362.86

(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 ending balance increased by 57.41% than the beginning balance, for the reason of there are many orders not completed as at 31 December 2009.

##### (5) The balance of the advanced payment in foreign currency:

Foreign Currency	31 Dec 2009			1 Jan 2009		
	USD	Exchange rate	RMB	USD	Exchange rate	RMB
USD	<b>298,894.11</b>	<b>6.8282</b>	<b>2,040,908.78</b>	288,890.63	6.8346	1,974,451.89

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VII. Notes of Main Items of Consolidated Financial Statements (Continued)

### 20. Employee compensation

Item	1 Jan 2009	Increase	Carry forward	31 Dec 2009
Salary (Includes bonus and allowance)	640,574.00	112,417,013.35	112,230,944.35	<b>826,643.00</b>
Welfare	0.00	10,599,699.07	10,599,699.07	<b>0.00</b>
Social insurance	17,598,975.42	45,798,519.46	44,100,429.79	<b>19,297,065.09</b>
Including: medical insurance	8,276,617.22	18,451,093.56	19,081,593.86	<b>7,646,116.92</b>
Basic endowment insurance	8,740,232.43	24,155,493.27	21,427,435.26	<b>11,468,290.44</b>
Unemployment insurance	461,322.83	1,324,545.20	1,716,886.98	<b>68,981.05</b>
Industrial injury insurance	67,422.91	1,124,492.51	1,128,797.06	<b>63,118.36</b>
Fertility insurance	53,380.03	742,894.92	745,716.63	<b>50,558.32</b>
Housing fund	1,525,733.78	18,462,830.56	18,908,535.14	<b>1,080,029.20</b>
Labour union expenditure and employee education expenditure	1,822,279.45	4,034,609.21	3,509,643.30	<b>2,347,245.36</b>
Other welfare	0.00	10,145,531.67	10,145,531.67	<b>0.00</b>
Compensation for unemployment	1,960,691.00	1,413,079.99	3,373,770.99	<b>0.00</b>
Estimated expense for employee retirement in advance	43,316,681.60	5,880,808.25	13,254,482.11	<b>35,943,007.74</b>
Others	175,428.41	18,096.00	31,867.17	<b>161,657.24</b>
<b>Total</b>	<b>67,040,363.66</b>	<b>208,770,187.56</b>	<b>216,154,903.59</b>	<b>59,655,647.63</b>

### 21. Tax payable

Tax category	31 Dec 2009	1 Jan 2009
Value added tax	<b>8,727,807.17</b>	-588,430.72
Business tax	<b>174,318.77</b>	139,000.81
Enterprise income tax	<b>1,904,453.43</b>	3,203,892.79
Individual tax	<b>367,681.05</b>	581,652.40
City construction tax	<b>655,483.77</b>	298,222.74
Property tax	<b>192,634.57</b>	27,310.50
Land usage tax	<b>1,921,218.49</b>	667,002.77
Educational fees	<b>759,697.74</b>	56,109.48
Stamp tax	<b>109,047.10</b>	53,335.30
Water conservancy fund	<b>585,957.00</b>	440,104.21
<b>Total</b>	<b>15,398,299.09</b>	4,878,200.28

### 22. Other payables

#### (1) Other payables

Item	31 Dec 2009	1 Jan 2009
<b>Total</b>	<b>48,538,528.19</b>	63,945,480.53
Include: more than one year	<b>33,511,865.84</b>	32,873,483.81

#### (2) Other payables to shareholders who hold 5% or more of the Company's share at the end of the period are as follow:

Items	31 Dec 2009	1 Jan 2009
Beiren Group Corporation	<b>13,641,380.51</b>	12,365,033.14

#### (3) Other payables in large amount at the end of the period

Items	Note	Amount	Aging	Quality or content
Beiren Group Corporation	1	12,365,033.14	More than 3 years	Purchase price
Beiren Group Corporation		1,162,559.09	Within 1 year	Trademark usage fee
Beiren Group Corporation		113,788.28	Within 1 year	Rent
Land remise fund	2	9,330,922.61	2 to 3 years	Remise price
<b>Total</b>		<b>22,972,303.12</b>		

Note 1: The payable to Beiren Group Corporation is the payment for 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 Casting) is the public land remise fund owed to the government of the place where Beijing Casting located. As of 30 Jun 2009, the Company has not gotten the certificate of land use right in Daxing, Beijing, which are 92.126 acreage of area.

## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### VII. Notes of Main Items of Consolidated Financial Statements (Continued)

#### 23. Non-current liabilities within one year

Item	31 Dec 2009	1 Jan 2009
Accounts payable within 1 year	29,550,000.00	29,550,000.00

When the subsidiary company Beijing Beiren Yuxin Offset Company Limited was set up, the minority shareholder Beijing Offset Point Factory invested part of its asset into the Company as long term investment in December 2001, which including long term loan for RMB18,450,000.00 short term loan for RMB11,100,000.00. Beijing Beiren Yuxin Offset 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 Company Limited should repay this money to Beijing offset point factory in the future years.

#### 24. Other current liabilities

Item	31 Dec 2009	1 Jan 2009
Accrued audit fee	1,149,600.00	1,195,575.00

#### 25. Long-term loan

##### (1) Classification:

Loan category	31 Dec 2009	1 Jan 2009
Guaranteed loan	24,000,000.00	27,000,000.00

The ending balance of long-term loan is loan of the Company's subsidiary Shaanxi Beiren Printing Machinery Company Limited for the purpose of technology reform of advanced packing print machine, which is guaranteed by Shaanxi Xinda Real Estate Co., Ltd., and the duration of this loan is five years.

##### (2) Long-term loan as at 31 Dec 2009:

Bank	Starting date	Maturity date	Currency	Rate (%)	31 Dec 2009		1 Jan 2009	
					Foreign currency amount	RMB amount	Foreign currency amount	RMB amount
Agricultural Bank of China Weinan branch	23 Jan 2007	22 Jan 2012	RMB	Floating rate	0.00	24,000,000.00	0.00	27,000,000.00

#### 26. Special payables

Item	1 Jan 2009	Increase	Carry forward	31 Dec 2009	Notes
Medium newspaper printing machine core unit technology and half-way commercial product	4,078,638.33	248,585.43	0.00	4,327,223.76	1
Folio single paper print machine series with multiple colours — new style 1050	0.00	4,773,314.47	0.00	4,773,314.47	2
<b>Total</b>	4,078,638.33	5,021,899.90	0.00	9,100,538.23	

Note 1: The Company and Beijing National Capital Mechanical And Electrical Holding Company Limited has signed "national capital holding strategy product and the technical research and development project funds support contract" on 17 December 2008. A financial support of RMB5,000,000 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 30 November 2011 and 30 November 2012 with the amount of RMB1,500,000 and RMB3,500,000 respectively. 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 in 2008. Loan datum interest rate of 3 year time (5.4%) and 5 year time (5.76%) are used as discount rate. Interest expense calculated on actual interest rate basis is recognized as financial expense this year.

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VII. Notes of Main Items of Consolidated Financial Statements (Continued)

### 26. Special payables (Continued)

Note 2: The Company and Beijing National Capital Mechanical And Electrical Holding Company Limited has signed "national capital holding strategy product and the technical research and development project funds support contract" on 24 June 2009. A financial support of RMB5,500,000 has been given to this company to carry on the development of folio single paper print machine series with multiple colours — new style 1050. The Company in, will return the fund to the national capital holding on 30 November 2011 and 30 November 2012 with the amount of RMB1,650,000 and RMB3,850,000 respectively. 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%) is used as discount rate.

### 27. Estimated liabilities

Item	1 Jan 2009	Increase	Carry forward	31 Dec 2009
Employee Compensation for Dismission	266,891.98	0.00	0.00	<b>266,891.98</b>

### 28. Other non-current liabilities

Item	31 Dec 2009	1 Jan 2009
Loan interest subsidy for the technology development of advanced soft printing machine	<b>832,852.67</b>	936,959.25
Remove compensation	<b>1,970,448.01</b>	2,627,264.02
<b>Total</b>	<b>2,803,300.68</b>	<b>3,564,223.27</b>

The government subsidies of RMB760,922.59 gained prior years relevant to assets are transferred into non-operating income in according to relevant regulations.

### 29. Share capital

RMB'000

Shareholder's Name/ Regimentation	1 Jan 2009		Current changes accumulation funds to equity					31 Dec 2009	
	Amount	Ratio (%)	Issue new stock	Gifts share		Others	Subtotal	Amount	Ratio (%)
<b>Conditioning Stock</b>									
State-owned Holdings	180,440.00	42.76	0.00	0.00	0.00	-180,440.00	-180,440.00	0.00	0.00
<b>Subtotal</b>	180,440.00	42.76	0.00	0.00	0.00	-180,440.00	-180,440.00	0.00	0.00
<b>Un-conditioning Stock</b>									
Common Stock (RMB)	141,560.00	33.55	0.00	0.00	0.00	180,440.00	180,440.00	322,000.00	76.31
Stock listed over-sea	100,000.00	23.69	0.00	0.00	0.00	0.00	0.00	100,000.00	23.69
<b>Subtotal</b>	241,560.00	57.24	0.00	0.00	0.00	180,440.00	180,440.00	422,000.00	100.00
<b>Total</b>	422,000.00	100.00	0.00	0.00	0.00	0.00	0.00	422,000.00	100.00

As at 31 December 2009, there are the-sell-limit expired & tradable conditioning 180,440,000 shares.

Beiren Group Corporation sold 21,000,000.00 shares of un-conditioning stock (4.98% of total stock of the Company) of the Company on 6 January 2010 and 7 January 2010 via large amount transaction system of the Shanghai Stock Exchange. After that, Beiren Group Corporation holds 201,640,000 shares of un-conditioning stock (47.78% of total stock of the Company) of the Company and still the major shareholder of the Company.

### 30. Capital reserve

Item	1 Jan 2009	Increase	Decrease	31 Dec 2009
Capital premium	517,305,478.93	0.00	0.00	<b>517,305,478.93</b>
Other capital reverse	5,714,792.13	0.00	0.00	<b>5,714,792.13</b>
<b>Total</b>	<b>523,020,271.06</b>	<b>0.00</b>	<b>0.00</b>	<b>523,020,271.06</b>

### 31. Surplus reserve

Item	1 Jan 2009	Increase	Decrease	31 Dec 2009
Statutory surplus reserve	198,928,288.88	0.00	155,755,581.00	<b>43,172,707.88</b>

On 26 May 2009, based on the approval of AGM for the year 2008, RMB155,755,581.00 of the surplus reserve was used to recover the loss.

## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### VII. Notes of Main Items of Consolidated Financial Statements (Continued)

#### 32. Undistributed profits

##### (1) Profits distribution list

Item	Amount	Ratio (%)
<b>Undistributed Profits at The Last period End</b>	-247,081,457.60	
Add: adjustment of undistributed profits at the year beginning	0.00	
Including: changes of accounting policies	0.00	
corrections to significant accounting errors for prior periods	0.00	
changes to consolidation scope under the same control	0.00	
other adjustments	0.00	
<b>Undistributed Profits at The Year Beginning</b>	-247,081,457.60	
Add: net profit attributable to parent company this period	-174,004,582.85	
loss recovery from surplus reserve	155,755,581.00	
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>	-265,330,459.45	

#### 33. Minority interest

Name of Subsidiary	Proportion of Minority Interest (%)	30 Jun 2009	1 Jan 2009
Haimen Beiren print machinery Co., Ltd.	17.46	<b>1,505,732.03</b>	1,937,306.09
Beiren Fuji print machinery Co., Ltd.	30.00	<b>11,086,858.68</b>	12,437,376.64
Hebei Beiren Paper Feeder Co., Ltd.	49.32	—	0.00
Beijing Beiren Jingyan Print Machinery Factory	0.24	<b>30,903.95</b>	38,131.70
Beijing Beiren Yuxin Offset Machinery Co., Ltd.	31.34	<b>18,530.14</b>	1,849,104.36
Shaanxi Beiren printing machinery Co., Ltd..	13.76	<b>7,804,408.53</b>	9,697,559.42
Beiren Yixin	0.00	<b>0.00</b>	0.00
<b>Total</b>		<b>20,446,433.33</b>	<b>25,959,478.21</b>

#### 34. Operating income and operating costs

Items	Jan-Dec 2009	Jan-Dec 2008
Main operating income	<b>753,349,102.31</b>	741,666,216.00
Other operating income	<b>14,319,484.95</b>	17,384,569.96
Total	<b>767,668,587.26</b>	759,050,785.96
Main operating costs	<b>691,212,985.75</b>	673,414,805.28
Other operating costs	<b>5,363,021.01</b>	12,028,018.65
<b>Total</b>	<b>696,576,006.76</b>	685,442,823.93

##### (1) Main operating income and costs (classified by products)

Item	Jan-Dec 2009		Jan-Dec 2008	
	Operating Income	Operating Costs	Operating Income	Operating Costs
Sales of hectograph machine	<b>448,572,601.58</b>	<b>425,499,245.67</b>	438,356,363.12	374,172,896.98
Sales of intaglio printing machine	<b>233,438,692.09</b>	<b>191,016,579.67</b>	206,252,498.91	185,703,111.91
Sales of form machinery	<b>26,685,627.24</b>	<b>25,344,804.67</b>	43,715,971.81	38,690,163.02
Sales of spares parts	<b>18,813,818.92</b>	<b>24,164,218.72</b>	16,792,238.49	27,685,322.05
Others	<b>25,838,362.48</b>	<b>25,188,137.02</b>	36,549,143.67	47,163,311.32
<b>Total</b>	<b>753,349,102.31</b>	<b>691,212,985.75</b>	741,666,216.00	673,414,805.28

(2) The total sales income of the Company's top five clients is RMB78,982,051.28, accounted 10.48% of the total sales income of the period.

(3) Main operating income increased 1.14% and main operating cost increased 1.62% than the same period of last year. For the reason of less market demand, the Company reduced production, therefore the unit fixed cost of product increased, which resulted in a decrease of gross profit margin of hectograph machine and form machinery. Both of main operating income and gross profit margin of intaglio printing machine increased this year, for the reason of its production decided by orders.

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VII. Notes of Main Items of Consolidated Financial Statements (Continued)

### 35. Business tax

Items	Jan-Dec 2009	Jan-Dec 2008	Tax rate (%)
Business tax	586,825.36	465,874.36	5
Urban maintenance and construction tax	3,348,613.39	1,787,675.64	5-7
Educational fees	1,459,700.67	781,389.00	3-4
Real estate tax	393,308.36	0.00	70*1.2
Land use fee	99,000.00	0.00	RMB3.00/m <sup>2</sup> or RMB1.50/m <sup>2</sup>
<b>Total</b>	<b>5,887,447.78</b>	<b>3,034,939.00</b>	

### 36. Sales expenses

Item	Jan-Dec 2009	Jan-Dec 2008
Salary	18,134,893.51	19,594,536.16
Exhibition fee	3,678,019.09	5,348,802.68
Travelling fee	4,924,103.25	5,866,787.90
Staff going abroad fee	1,321,210.28	2,076,671.17
Entertainment expenses	2,775,980.68	2,417,003.51
Transportation and instalment fee	12,504,236.92	17,975,928.86
Office and administrative fee	1,390,595.99	2,123,295.72
Commissions	9,690,607.57	12,995,043.89
Three responsibility fee for products	4,690,011.96	4,645,486.66
Others	3,743,514.54	6,871,319.50
<b>Total</b>	<b>62,853,173.79</b>	<b>79,914,876.05</b>

### 37. Administration expenses

Item	Jan-Dec 2009	Jan-Dec 2008
Salary	46,078,255.63	68,279,293.63
Depreciation	13,958,854.98	10,400,792.12
Office and administrative fee	3,805,346.26	4,615,052.32
Amortisation of intangible assets	2,963,785.74	3,523,932.79
Gain or loss of inventory count	0.00	1,420,505.92
Entertainment and meetings fee	4,194,493.16	4,337,384.11
Maintenance fee	1,345,585.98	866,091.10
Energy fee	2,255,047.97	2,486,445.47
Tax expense	8,371,763.40	7,742,310.68
Agency fee	4,669,599.99	5,173,134.76
Research and development fee	35,321,429.95	21,496,725.60
Air conditioner fee	2,592,142.99	2,876,321.11
Trademark usage fee	3,802,754.55	3,818,973.72
Three responsibility fee for products	2,190,684.94	2,519,867.18
Others	6,108,107.60	14,732,489.91
<b>Total</b>	<b>137,657,853.14</b>	<b>154,289,320.42</b>

### 38. Financial expenses

Item	Jan-Dec 2009	Jan-Dec 2008
Interest payment	20,388,548.77	24,644,588.39
Less: Interest income	446,758.37	726,169.74
Add: exchange loss	11,961.41	226,894.17
Add: other payment	1,366,691.14	1,523,010.01
<b>Total</b>	<b>21,320,442.95</b>	<b>25,668,322.83</b>

## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### VII. Notes of Main Items of Consolidated Financial Statements (Continued)

#### 39. Impairment loss of assets

Item	Jan-Dec 2009	Jan-Dec 2008
Bad debt loss	1,875,031.01	23,971,999.40
Impairment loss on inventory	33,057,545.55	72,513,053.52
Impairment loss on non-current assets	290,071.82	0.00
<b>Total</b>	<b>35,222,648.38</b>	<b>96,485,052.92</b>

The impairment loss of assets decreased by 63.49% than the same period of last year, for the reason of the reinforcement of receivables' recovery, hence bad debt loss decreased of RMB22,100,000.00 than last year; It is no obvious changes of market environment than 2008, the Company controlled the production input, therefore the ending balance of inventory decreased than beginning balance, the impairment loss on inventory decreased of RMB39,460,000.00 than 2008 consequently.

#### 40. Investment income

##### (1) Resources of investment income

Item	Jan-Dec 2009	Jan-Dec 2008
Equity method of accounting for long-term equity investment income	622,102.42	-8,976,805.23
Investment income of disposal of long-term equity investment	630,814.67	0.00
<b>Total</b>	<b>1,252,917.09</b>	<b>-8,976,805.23</b>

There is no significant limit for the remittance back of investment income.

##### (2) Equity method of accounting for long-term equity investment income

Item	Jan-Dec 2009	Jan-Dec 2008	Reason of changes
<b>Total</b>	<b>622,102.42</b>	-8,976,805.23	
Including:			
Beijing Beiyong Casting Company Limited	537,781.17	942,745.64	Reduce of profit
Beijing Monigraf Automations Co., Ltd.	84,321.25	823,857.05	Reduce of profit
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	0.00	-10,743,407.92	Negative equity

#### 41. Non-operating income

##### (1) Non-Operating Income

Item	Jan-Dec 2009	Jan-Dec 2008
Gains from non-current capital disposal	1,301,276.10	3,927,784.51
Gains from fixed assets	1,301,276.10	3,922,801.57
Government subsidy	8,435,792.39	731,656.58
Gain of inventory count	0.00	3,280.00
Other	2,041,379.83	3,536,368.66
<b>Total</b>	<b>11,778,448.32</b>	<b>8,199,089.75</b>

Non-operating income increased by 43.66% than the same period of last year, for the reason of the increase of government subsidy this year.

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VII. Notes of Main Items of Consolidated Financial Statements (Continued)

### 41. Non-operating income (Continued)

(2) The government subsidies in this period are showed below:

Item	Jan-Dec 2009	Jan-Dec 2008	Resource and basis
Employment and social insurance subsidy	443,774.42	0.00	Beijing Municipal Jing Ren She Fu Fu [2009] No. 1197 document
Employment and social insurance subsidy	500,640.00	0.00	Weinan Municipal Wei Lao Fa [2009] No. 94 document
Employment and social insurance subsidy	3,663,038.00	0.00	Beijing Municipal Jing Ren She Fu Fu [2009] No. 1197 document
Employment and social insurance subsidy	119,626.55	0.00	Beijing Municipal Jing Ren She Fu Fu [2009] No. 1197 document
Development of TAZJ series gravure printing set	600,000.00	0.00	Business Department Shang Chan Han [2007] No. 80 document
Critical technology and equipment of digital and intellectual print machine	410,000.00	0.00	National science and technology support programme assignment (transferred from others payable)
AZJ80820A advanced print machine set for cigarette package	500,000.00	0.00	Contract of Shaanxi provincial "13115" significant science and technology programme (transferred from others payable)
Research and development of applicable technology	100,000.00	0.00	Ministry of Finance PRC
Research and development of hot wind system of intaglio printing machine	50,000.00	0.00	Contract of Shaanxi provincial science and technology research and development programme
Enterprise technology innovation and creation of famous brand in 2009	50,000.00	0.00	Shaanxi Provincial Department of Industry and Information Shaan Gong Xin Fa [2009] No. 336 document
Shaanxi provincial research center of packing print machine technology	516,606.84	0.00	Shaanxi Provincial Yan Zheng Zhuan Zi [2009] No. 25 Verification report of "13115" science and technology innovation programme
Government subsidy for loan interest of Shaanxi Provincial Department of Finance	850,000.00	0.00	Shaanxi Provincial Department of Finance Shaan Cai Ban Qi Zhuan [2009] No. 22 document
Subsidy for abandonment in advance of yellow-lable vehicles	13,000.00	0.00	Approval form of subsidy for abandonment in advance of yellow-license vehicles
Government subsidy of Settling Center of Beijing Economy technology development zone	50,000.00	0.00	Beijing Municipal Ji Guan [2009] No. 111 document



## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### VII. Notes of Main Items of Consolidated Financial Statements (Continued)

#### 41. Non-operating income (Continued)

(2) The government subsidies in this period are showed below: (Continued)

Item	Jan-Dec 2009	Jan-Dec 2008	Resource and basis
Insurance subsidy of Beijing High-technology Creation Service Center	285,000.00	0.00	Science and technology insurance subsidy of Beijing Municipal Science and Technology committee
Government subsidy of Department of Finance of Beijing Economy technology development zone	50,000.00	0.00	Beijing Municipal Jing Kai Cai Qi [2009] No. 239 document
Government subsidy for loan interest of Government of Beijing Economy technology development zone	130,000.00	0.00	Beijing Municipal Jing Jing Xin Wei Fa [2009] No. 27 document
The subsidy of loan interest for the technology development of advanced soft printing machine	104,106.58	104,106.58	Shaanxi Provincial Shaan Fa Gai Touzi [2006] No. 1278 document
Automatization high speed multicolour soft packing print machine development fund	0.00	400,000.00	Shaanxi Provincial Department of Finance Office of the Shaanxi enterprises [2007] No. 23 document
Market development item subsidy	0.00	95,000.00	Weinan Municipal Commerce Bureau
Integrative control device of photo-electricity collimation concavity printing and gearing machinery unit	0.00	132,550.00	Shaanxi Provincial [2007] No. 61 document
<b>Total</b>	<b>8,435,792.39</b>	731,656.58	

#### 42. Non-operating expenses

Item	Jan-Dec 2009	Jan-Dec 2008
Loss from non-currency asset disposal	536,582.61	604,453.01
Loss from fixed assets	536,582.61	604,453.01
Paid-out donation on public welfare others	0.00	180,000.00
	635,708.53	1,060,118.81
<b>Total</b>	<b>1,172,291.14</b>	1,844,571.82

#### 43. Income tax expense

Item	Jan-Dec 2009	Jan-Dec 2008
Income tax for current year	-883,911.37	105,403.78
Deferred tax expenses	411,627.83	-5,683,827.78
<b>Total</b>	<b>-472,283.54</b>	-5,578,424.00

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VII. Notes of Main Items of Consolidated Financial Statements (Continued)

### 44. The calculating procedure of basic EPS and diluted EPS

Items	Number	Jan-Dec 2009	Jan-Dec 2008
Net profit for equity holders of the Company	1	-174,004,582.85	-263,141,611.27
Net profit of extraordinary items for equity holders of the Company	2	10,812,206.99	5,869,216.12
Net profit for equity holders of the Company after extraordinary items	3=1-2	-184,816,789.84	-269,010,827.39
Total number of shares at the beginning of the period	4	422,000,000.00	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	8		
Share decrease	9		
Number of months from next month to the end of the reporting period	10		
Number of shares decreased by shrinking	11		
Number of Months in the reporting period	11	12	12
Ordinary shares on weighted average basis	$12=4+5+6\times7\div11-8\times9\div11-10$	422,000,000.00	422,000,000.00
Basic earning per share (I)	$13=1\div12$	-0.41	-0.62
Basic earning per share (II)	$14=3\div12$	-0.44	-0.64
Dividends of diluted convertible ordinary shares as expense	15		
Conversion expense	16		
Income tax	17		
Number of shares increased by options or warrants	18		
Diluted earning per share (I)	$19=[1+(15-16)\times(1-17)]\div(12+18)$	-0.41	-0.62
Diluted earning per share (II)	$19=[3+(15-16)\times(1-17)]\div(12+18)$	-0.44	-0.64

### 45. Cash flow

#### (1) Received/paid cash relevant with the activities of other management/investment/financing

(1) Other cash received related to operation activity

Item	Jan-Dec 2009
Interest income	446,758.37
Receive Financial project funding	8,050,618.97
Guarantee payment	1,837,900.00
Return of payment made by others for the Company	918,127.26
Receive social insurances from social insurance bureau	892,915.16
Sales of materials and disposal of old and obsolete materials	684,117.10
Others	1,988,840.63
<b>Total</b>	<b>14,819,277.49</b>

(2) Other cash payment related to operation activity

Item	Jan-Dec 2009
Trademark usage fee	1,652,829.61
Agency fee	2,653,071.87
Transportation and instalment fee	6,527,941.30
Three responsibility fee for products	1,794,449.59
Land use right fee	850,000.00
Advertising and exhibition fee	1,847,900.10
Transportation fee	1,451,219.97
Office, conference and travelling fee	5,761,847.92
Information technology fee	754,126.20
Entertainment fee	2,833,489.26
Sales commission	3,451,360.12
Others	1,148,326.20
<b>Total</b>	<b>30,726,562.14</b>

## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### VII. Notes of Main Items of Consolidated Financial Statements (Continued)

#### 45. Cash flow (Continued)

##### (1) Received/paid cash relevant with the activities of other management/investment/financing

(Continued)

(3) Cash paid related to other funding raising activity

Item	Jan-Dec 2009
Expense for financing from bank	763,662.60
Guarantee	7,287,683.47
<b>Total</b>	<b>8,051,346.07</b>

##### (2) Supplement information of consolidated cash flow

Item	Jan-Dec 2009	Jan-Dec 2008
<b>1. Cash flow from operating activities</b>		
Net profit	-179,517,627.73	-282,828,412.49
Add: Provision on the impairment of assets	35,222,648.38	96,485,052.92
Depreciation of fixed asset	45,452,068.14	47,761,599.08
Amortization of intangible asset	2,963,785.74	3,523,932.79
Amortization of long-term prepaid expenses	66,000.00	66,000.00
Loss from disposal on fixed asset, intangible assets, and other long term asset ("-" if revenue)	-764,693.49	-3,323,331.50
Loss of fixed asset disposal ("-" if revenue)	0.00	0.00
Gain or loss from changes in fair value ("-" if revenue)	0.00	0.00
Financial expenses ("-" if revenue)	20,388,548.77	24,644,588.39
Loss from investment ("-" if revenue)	-1,252,917.09	8,976,805.23
Decrease in deferred tax assets ("-" if increase)	411,627.83	-5,683,827.78
Increase in deferred tax liability ("-" if decrease)	0.00	0.00
Decrease in inventory ("-" if increase)	184,157,317.09	-32,433,420.42
Decrease of account receivable ("-" if increase)	55,207,986.38	134,807,192.89
Increase of account payable ("-" if decrease)	-41,675,149.42	20,241,796.83
Others	0.00	0.00
Net cash flow from operating activity	120,659,594.60	12,237,975.94
<b>2. Cash flow from financing activity:</b>		
Debts transferred into capital		
Corporation debenture with maturity less than one year		
Financing leased fixed asset		
<b>3. Changes in cash and cash equivalent:</b>		
Ending balance of cash	111,849,650.31	66,503,301.13
Less: beginning balance of cash	66,503,301.13	98,652,543.32
Add: ending 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	45,346,349.18	-32,149,242.19

##### (3) Relevant information of current disposed subsidiaries and other business units

Item	Jan-Dec 2009	Jan-Dec 2008
Relevant information of disposed subsidiaries and other business units		
1. Price of disposed subsidiary and other business units	50,000.00	0.00
2. Disposal of subsidiaries and other business units received in cash and cash equivalents	50,000.00	0.00
Less: subsidiaries and other business units held cash and cash equivalents	0.00	0.00
3. Net cash receipts from disposal of subsidiaries and other business units	50,000.00	0.00
4. Disposal of subsidiaries' net asset	-580,814.67	0.00
Current assets	7,282,122.49	0.00
Non-current assets	2,272,754.64	0.00
Current liabilities	10,135,691.80	0.00
Non-current liabilities	0.00	0.00

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VII. Notes of Main Items of Consolidated Financial Statements (Continued)

### 45. Cash flow (Continued)

#### (4) Cash and cash equivalents

Item	31 Dec 2009	31 Dec 2008
Cash	<b>111,849,650.31</b>	66,503,301.13
Including: cash on hand	<b>20,238.66</b>	92,177.41
Bank deposit available to make payments	<b>111,829,411.65</b>	66,411,123.72
Cash equivalents	<b>0.00</b>	0.00
Cash and cash equivalents at the end of the year	<b>111,849,650.31</b>	66,503,301.13
Including: Restricted cash and cash equivalent for parent Company or subsidiary inside the group company	<b>0.00</b>	0.00

## VIII. Related Parties Relationship and Transactions with Related Parties

### 1. Related parties relationship

#### (1) Parent companies and ultimate controlling parties

##### (a) Background

Name	Ownership	Place of register	Business Scope	Legal representative	Code of the Organization
Beiren Cor. Group	Whole people owned	44# Guangqu Venue Chaoyang District Beijing	Sales and manufacture of printing machinery, packaging machinery, series products of machine tool and components, technology development, technology advisory etc.	Zhao Guorong	10110132
Beijing Jingcheng Machinery and Eletronic Holding Co. Ltd.	Unique State-owned	59# Zhong Venue Dongsanhuan Chaoyang District Beijing	Operation and management of authorized State capital: property right (stock right) operation; financing and investing money from foreign countries.	Li jisheng	633686217

##### (b) Registered capital (RMB 0,000) of the parent company and changes

Name	1 Jan 2009	Increase	Decrease	31 Dec 2009
Beiren Cor. Group	20,026.60	0.00	2,899.90	<b>17,126.70</b>
Beijing Jingcheng Machinery and Eletronic Holding Co. Ltd.	135,901.50	0.00	0.00	<b>135,901.50</b>

##### (c) Shareholding (RMB 0,000)

Name	Amount of Share holding		Percentage of Share holding (%)	
	31 Dec 2009	1 Jan 2009	31 Dec 2009	1 Jan 2009
Beiren Cor. Group	<b>22,264.00</b>	22,264.00	<b>52.76</b>	52.76

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VIII. Related Parties Relationship and Transactions with Related Parties

(Continued)

### 1. Related parties relationship (Continued)

#### (2) Subsidiaries

(a) Background

Name	Nature	Registration Location	Operating Scope	Legal person	Organisation number
Shaanxi Beiren Printing Machinery Company Limited	Limited Liability company	Weinan City, Shaanxi Province	Manufacture, sale and maintain printing machines, packing machines, engineering machines and electrical equipments and relevant fittings, manufacture and sale typesetting machines and printing machines	Zhang Peiwu	709915814
Beijing Beiren Fuji Printing Machinery Co., Ltd.	Sino-Foreign Equity Joint Venture Enterprise	Chaoyang District, Beijing City	Manufacture printing machines, sale self-manufactured products	Zhang Peiwu	600040954
Haimen Beiren Printing Machinery Co., Ltd.	Limited Liability company	Haimen City, Jiangsu Province	Manufacture printing machines and relevant fittings	Kong Dagang	138335313
Beiren Yixin (Beijing) Technology Development Co., Ltd.	Limited Liability company	Yizhuang Beijing City	Printing machinery technology development, transfer, consulting, service; equipment leasing	Pang Liandong	69495821
Beijing Beiren Jinyan Printing Machinery Factory	Joint stock company	Yanqing Country, Beijing City	Manufacture printing machines and relevant components provide relevant technical consulting services	Yang Zhendong	103047696
Beijing Beiren Yuxin Offset Printing Co., Ltd.	Limited Liability company	Dongcheng District, Beijing City	Book printing, binding, typesetting and plate making	Liu Jing	801236427

(b) Registered capital

Name	1 Jan 2009	Increase	Decrease	31 Dec 2009
Shanxi Beiren Printing Machinery Co., Ltd.	115,000,000.00	0.00	0.00	<b>115,000,000.00</b>
Beijing Beiren Fuji Printing Machinery Co., Ltd.	42,328,060.26	0.00	0.00	<b>42,328,060.26</b>
Haimen Beiren Printing Machinery Co., Ltd.	51,000,000.00	0.00	0.00	<b>51,000,000.00</b>
Beijing Beiren Jinyan Printing Machinery Factory	21,050,000.00	0.00	0.00	<b>21,050,000.00</b>
Beijing Beiren Yuxin Offset Printing Co., Ltd.	22,430,000.00	0.00	0.00	<b>22,430,000.00</b>
Beiren Yixin (Beijing) Technology Development Co., Ltd.	0.00	1,000,000.00	0.00	<b>1,000,000.00</b>

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VIII. Related Parties Relationship and Transactions with Related Parties

(Continued)

### 1. Related parties relationship (Continued)

#### (2) Subsidiaries (Continued)

##### (c) Shareholding

Name	Amount of Share holding		Percentage of Share holding (%)	
	31 Dec 2009	1 Jan 2009	31 Dec 2009	1 Jan 2009
Shanxi Beiren Printing Machinery Co., Ltd.	99,180,000.00	99,180,000.00	86.24	86.24
Beijing Beiren Fuji Printing Machinery Co., Ltd.	29,632,699.26	29,632,699.26	70.00	70.00
Haimen Beiren Printing Machinery Co., Ltd.	34,848,000.00	34,848,000.00	82.54	82.54
Beiren Yixin (Beijing) Technology Development Co., Ltd.	1,000,000.00	0.00	100.00	0.00
Beijing Beiren Jinyan Printing Machinery Factory	21,000,000.00	21,000,000.00	99.76	99.76
Beijing Beiren Yuxin Offset Printing Co., Ltd.	15,400,000.00	15,400,000.00	68.66	68.66

#### (3) Associations

##### (a) Background

Name	Nature	Registration Address	Operating Scope	Legal person	Registered capital (RMB 0,000)	Percent of ownership (%)	Organisation number
<b>Association</b>							
Beijing Monigraf Automations Co. Ltd.	Sino-Foreign Equity Joint Venture Enterprise	Beijing city	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.	Zhang Peiwu	1,500.00	49	600094442
Beijing Beiyong Casting Co. Ltd.	Limited Liability company	Beijing city	Processing and sale of standard and non-standard components, manufacture of casting, processing of model, technology development, transferring, advisory, service.	Pang Liandong	568.00	20	802866623
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	Sino-Foreign Equity Joint Venture Enterprise	Beijing city	Manufacture and sale of printing machinery, related technology advisory and service.	Pang Liandong	4,600.00	49	788602348

##### (b) Financial information

Name	31 Dec 2009			Jan-Dec 2009	
	Asset	Liability	Equity	Operating income	Net profit
<b>Association</b>					
Beijing Monigraf Automations Co. Ltd.	2,655.43	843.35	1,812.08	1,396.73	17.21
Beijing Beiyong Casting Co. Ltd.	8,556.16	5,445.47	3,110.69	10,264.99	268.89
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	17,828.58	20,993.37	-3,164.79	2,317.84	-1,207.32

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VIII. Related Parties Relationship and Transactions with Related Parties

(Continued)

### 1. Related parties relationship (Continued)

#### (4) Other related parties

Relationship	Name	Transaction	Organisation number
Under the same parent company	Beijing Yanlong Importing & Exporting Company	Goods sales	101144898

### 2. Related-party transactions

#### (a) Purchase of goods or accepting service

Name	Nature	Jan-Dec 2009		Jan-Dec 2008	
		Amount	Percent (%)	Amount	Percent (%)
<b>Parent company</b>					
Beiren Cor. Group	Purchase goods	929,059.83	0.75	821,818.89	0.15
Beiren Cor. Group	Trademark use fee	3,802,754.55	100.00	3,818,973.72	100.00
<b>Association</b>					
Beijing Monigraf Automations Co. Ltd.	Purchase	8,143,899.16	6.55	13,311,452.00	2.48
Beijing Beiyong Casting Co. Ltd.	Purchase	10,579,374.53	8.51	14,812,496.66	2.76
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Purchase	3,023,705.85	2.43	63,898,720.15	11.92
<b>Total</b>		<b>26,478,793.92</b>		<b>96,663,461.42</b>	

Pricing policies associated with Related-party transactions is the agreement price.

#### (b) Sales of goods

Name	Nature	Jan-Dec 2009		Jan-Dec 2008	
		Amount	Percent (%)	Amount	Percent (%)
<b>Parent company</b>					
Beiren Cor. Group	Purchase Hydropower	176,238.02	15.51	0.00	0.00
<b>Association</b>					
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co.	Purchase goods	0.00	0.00	8,228,143.41	1.11
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co.	Purchase Hydropower	378,230.53	33.28	0.00	0.00
Company under common control					
Beijing Yanlong Importing & Exporting Company	Purchase goods	0.00	0.00	5,064,102.56	0.68
<b>Total</b>		<b>554,468.55</b>		<b>13,292,245.97</b>	

Pricing policies associated with Related-party transactions is the agreement price.

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## VIII. Related Parties Relationship and Transactions with Related Parties

(Continued)

### 2. Related-party transactions (Continued)

#### (c) Sales of goods or rendering service

Lessor	Lessee	Assets rental information	Assets rental related amount	Start date	Expire date	Rental income	Basis of income	Impact on Rental income
Company	Beijing Beiyong Casting Co. Ltd.	Land, housing	63,671,782.43	31 Jan 2009	2009-12-31	4,407,064.68	Agreement price	Current Income
Company	Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co.	housing	7,121,190.80	1 July 2007	2015-6-30	1,621,836.00	Agreement price	Current Income
Company	Beijing Monigraf Automations Co. Ltd.	housing	211,135.12	1 July 2009	2009-12-31	50,331.00	Agreement price	Current Income
Company	Beiren Cor. Group	housing	12,932,480.24	31 Jan 2009	2009-12-31	930,000.00	Agreement price	Current Income
Beiren Cor. Group	Company	Land	7,333,297.01	31 Jan 2009	2009-12-31	850,000.00	Agreement price	Current expense

#### (d) Related parties lease

	Rental amount	Start date	Expire date	Note
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	80,000,000.00	20 Nov 2009	19 Jan 2010	
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	5,500,000.00	1 Dec 2009	30 Nov 2012	Refer to VII.26 Note 2

### 3. Balance of related-party transactions

#### (a) Accounts receivable of related parties

Item	31 Dec 2009	1 Jan 2009
<b>Parent company</b> Beiren Cor. Group	<b>0.00</b>	590,000.00
<b>Association</b> Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	<b>218,337.63</b>	6,849,988.26
Beijing Monigraf Automations Co. Ltd.	<b>25,061.40</b>	0.00
<b>Company under common control</b> Beijing Yanlong Importing & Exporting Company	<b>0.00</b>	26,000.00
<b>Total</b>	<b>243,399.03</b>	<b>7,465,988.26</b>

#### (b) Others receivable of related parties

Item	31 Dec 2009	1 Jan 2009
<b>Association</b> Beijing Monigraf Automations Co. Ltd.	<b>50,331.00</b>	285,000.00

#### (c) Advances from customers of related parties

Item	31 Dec 2009	1 Jan 2009
<b>Association</b> Beijing Monigraf Automations Co. Ltd.	<b>298,000.00</b>	409,400.00
Beijing Beiyong Casting Co. Ltd.	<b>99,517.45</b>	301,707.12
<b>Total</b>	<b>397,517.45</b>	711,107.12



## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### VIII. Related Parties Relationship and Transactions with Related Parties

(Continued)

#### 3. Balance of related-party transactions (Continued)

##### (d) Accounts payables of related parties

Item	31 Dec 2009	1 Jan 2009
<b>Parent company</b>		
Beiren Cor. Group	1,997,780.00	2,318,780.11
<b>Association</b>		
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	47,866,408.02	62,409,049.78
Beijing Monigraf Automations Co. Ltd.	5,706,400.00	6,439,163.21
Beijing Beiyong Casting Co. Ltd.	907,553.21	1,485,228.25
<b>Total</b>	<b>56,478,141.23</b>	<b>72,652,221.24</b>

##### (e) Others payables of related parties

Item	31 Dec 2009	1 Jan 2009
<b>Parent company</b>		
Beiren Cor. Group	13,641,380.51	12,365,033.14
<b>Total</b>	<b>13,641,380.51</b>	<b>12,365,033.14</b>

##### (f) Entrust loan of related parties

Item	31 Dec 2009	1 Jan 2009
<b>Parent company</b>		
Beijing Jingcheng Machinery Limited	150,000,000.00	135,000,000.00

##### (g) Rental of related parties

Item	31 Dec 2009	1 Jan 2009
<b>Parent company</b>		
Beijing Jingcheng Machinery Limited	80,000,000.00	0.00

##### (h) Special payables

Item	31 Dec 2009	1 Jan 2009
<b>Parent company</b>		
Beijing Jingcheng Machinery Limited	9,100,538.23	4,078,638.33

### IX. Share-based Payment

As of 31 December 2009, the company has no share-based payment.

### X. Contingencies

- As of 31 December 2009, the company involving nine pending litigations with an amount of RMB20,049,200.00 yuan.
- There was no other significant contingent event for the Company in the current accounting period in addition to the existence or the things mentioned above.

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## XI. Commitments

### 1. Matters of major commitments

#### (a) Signed and conducting or preparing to be engaged lease contracts and financial impacts

As of 30 June 2009 (T), the Company made commitments on the amount of the non-revocable operating lease and financial lease as to renting the land of Beiren Group Corporation:

Unit: RMB'000

Period	Operating Lease	Financing Lease
T+1年	850,000.00	0.00
T+2年	850,000.00	0.00
T+3年	850,000.00	0.00
T+3年以後	2,550,000.00	0.00
<b>Total</b>	<b>5,100,000.00</b>	<b>0.00</b>

#### (b) Other significant financial commitments

The Company and its parent company Beiren Group Corporation signed a trademark usage license contract, Beiren Group Corporation authorized the company to use its own "Beiren Pai" brand trademark, the company committed to pay Beiren Group Corporation 1% of the trade mark product sales revenue annually as the mark of the quarter royalties on 10 April, 10 July, 10 October and 10 January (the following year) respectively. By each year, the trademark usage fees shall not be less than neither RMB15,000 yuan nor more than RMB6,000,000.00 yuan. The contract is valid for three years, from 1 January 2009 to 31 December 2011.

### 2. As of 31 December 2009, the company has no other significant issues happened in addition to these commitments above.

## XII. After Balance Sheet Date Events

- As of 26 December 2010, the company transferred 11.37% stock equity to Kong dagang, who is the individual Shareholder of the company's subsidiary company Haimen Beiren Fuji Printing Machinery Company Limited. The business change process has been completed. The legal representative of Haimen Beiren Fuji Printing Machinery Company Limited changed from Kong dagang to Yang zhendong. Nantong Haimen Industrial and Commercial Bureau Business License for Legal Person with the number of 320684000000013.
- The eleventh meeting of the sixth board of directors approved the motion of selling stock equity of subsidiary company Beijing Beiren Yuxin Offset Printing Company Limited. It is listed to public through China Beijing Equity Exchange and is delisted by Beijing Offset Point Factory. The transfer price is RMB350,000 yuan. Equity transaction formalities have been completed on 2 February 2010 and Beijing Offset Point Factory paid the entire transfer price. Yet the change of business registration is still on going.
- The fifteenth meeting of the sixth board of directors approved the motion of "Regarding to the implementation of land pricing and cash replenishment for wholly-owned subsidiary-Beiren Yixin (Beijing) Technology Development Co., Ltd.". 32,000 square metres land from 162,357.20 square metres land is reserved to cut up. The land is taken as the replenishment to Beiren Yixin (Beijing) Technology Development Co., Ltd., which is evaluated a total value of RMB15,656,762.5 yuan. A cash replenishment of RMB5,710,237.50 yuan is provided simultaneously. The total capital for Beiren Yixin (Beijing) Technology Development Co., Ltd. after replenishment is RMB 22,367,000,000 yuan. Amount which, the land was evaluated as the amount of RMB 15,656,762.5 yuan, cash capita injection is the amount of RMB 6,710,237.50 yuan (including original investment of RMB 1,000,000 yuan). And the relevant procedures are still in process.
- As of 6 January 2010 and 7 January 2010, Beiren Group Corporation sold its 4.98% Unlimited shares in circulation with a total amount of 21,000,000 shares through block trading system in Shanghai Stock Exchange. Even with a reduction mentioned early on, Beiren Group Corporation is still considered as majority stake of the company, who is representing 47.78% the company's total share capital with an amount of 201,640,000 shares.
- There was no other significant contingent event for the company in the current accounting period in addition to the existence or the thing mentioned above.

## XIII. Segment Information

More than 90% of the revenues and profits of the company from domestic manufacture and sale of the presses, so the company's management consider there is no need for the Segment Information.

## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### XIV. Other Significant Events

**1. Non-currency assets exchange**

As of 31 December 2009, there was no non-currency assets exchange that needed to be disclosed by the Company.

**2. Debt restructure**

As of 31 December 2009, the company has no debt restructure happened.

**3. Leasing**

**(1) Operating leased assets (Operating lease lessor)**

Types of Operating leased assets	31 Dec 2009	31 Dec 2008
Land	17,043,310.30	17,411,814.22
Housing and Building	78,718,685.62	81,347,989.90
Machinery and equipment	2,379,758.16	2,657,485.71
Transport equipment	42,873.30	8,244.84
<b>Total</b>	<b>98,184,627.38</b>	<b>101,425,534.67</b>

**(2) Significant lease payments under operating leases (operating lease the lessee)**

Remaining lease term	Minimum lease payment
Less than 1 year	850,000.00
1-2 years	850,000.00
2-3years	850,000.00
More than 3 years	2,550,000.00
<b>Total</b>	<b>5,100,000.00</b>

### XV. Notes to the Main Items of Parent Company's Financial Report

**1. Account receivable**

**(1) Risk classification for accounts receivables**

Items	31 Dec 2009				31 Dec 2008			
	Balance Amount	Proportion%	Provision for bad debts Amount	Proportion%	Balance Amount	Proportion%	Provision for bad debts Amount	Proportion%
Accounts receivable material in individual amounts	24,920,000.00	9.02	0.00	0.00	49,403,767.71	15.28	0.00	0.00
Insignificant accounts receivable in individual amounts, but with credit risk	251,305,112.97	90.98	68,873,937.44	100.00	273,899,825.33	84.72	70,300,986.15	100.00
Other accounts receivable non-material in individual amounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>276,225,112.97</b>	<b>100.00</b>	<b>68,873,937.44</b>	<b>100.00</b>	<b>323,303,593.04</b>	<b>100.00</b>	<b>70,300,986.15</b>	<b>100.00</b>

(1) Significant accounts receivable in individual amounts or insignificant accounts receivable but impairment test required

Name	Balance	Provision for bad debts	Proportion (%)	Reasons for provision
Sports newspaper (Donghua Hanlin)	24,920,000.00	0.00	0.00	

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## XV. Notes to the Main Items of Parent Company's Financial Report (Continued)

### 1. Account receivable (Continued)

#### (1) Risk classification for accounts receivables (Continued)

##### (2) Insignificant accounts receivable in individual amounts, but with credit risk

Items	31 Dec 2009			31 Dec 2008		
	Amount	Proportion %	Provision of bad debt	Amount	Proportion %	Provision of bad debt
Within 1 year	129,605,664.76	51.57	0.00	132,989,527.42	48.55	0.00
1-2years	55,165,629.97	21.95	16,549,688.99	87,104,542.51	31.80	25,991,997.75
2-3years	35,523,924.48	14.14	21,314,354.69	23,741,917.50	8.67	14,245,150.50
More than 3 years	31,009,893.76	12.34	31,009,893.76	30,063,837.90	10.98	30,063,837.90
<b>Total</b>	<b>251,305,112.97</b>	<b>100.00</b>	<b>68,873,937.44</b>	<b>273,899,825.33</b>	<b>100.00</b>	<b>70,300,986.15</b>

(2) Written-off from Shanghai Beiren with an amount of RMB103,000.00 yuan has been received in the current year.

(3) There are no actual write-off of accounts receivable.

(4) The end balance of accounts receivable from the shareholdings over 5% (incl. 5%) of the Company:

Name	31 Dec 2009		31 Dec 2008	
	Debt amount	Provision of bad debt	Debt amount	Provision of bad debt
Beiren Group Corporation	0.00	0.00	590,000.00	0.00

(5) The top 5 of the end balance of accounts receivable are as follows:

Company name	Relation with the Company	Amount	Arrears period	Proportion of total amount(%)
Sports newspaper (Donghua Hanlin)	The Company's client	24,920,000.00	Less than 1 year	9.02
Haimen Beiren Fuji Printing Machinery Company Limited	Subsidiary	19,983,777.72	2-3 years	7.23
Su zhou Daily	The Company's client	12,476,000.00	Less than 1 year	4.52
Beijing Huilin Printing Co., Ltd.	The Company's client	8,240,000.00	1-2 years	2.98
Beijing Beiren Jingyan Printing Machinery Factory	Subsidiary	6,416,314.52	1-2 years	2.32
<b>Total</b>		<b>72,036,092.24</b>		<b>26.07</b>

(6) The end balance of accounts receivable due from related parties

Company name	Relation with the Company	Amount	Proportion of total amount(%)
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	Associated company	218,337.63	0.08
Beijing Monigraf Automations Co., Ltd.	Associated company	25,061.40	0.01
Haimen Beiren Fuji Printing Machinery Company Limited	Subsidiary	19,983,777.72	7.23
Beijing Beiren Jingyan Printing Machinery Factory	Subsidiary	6,416,314.52	2.32
<b>Total</b>		<b>26,643,491.27</b>	<b>9.64</b>

(7) Ending balance of accounts receivable in foreign currency of account receivable:

Foreign currency	Original currency	31 Dec 2009		Original currency	31 Dec 2008	
		Exchange rate	RMB		Exchange rate	RMB
USD	217,419.90	6.8282	1,484,586.58	217,175.00	6.8346	1,484,304.26

## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### XV. Notes to the Main Items of Parent Company's Financial Report (Continued)

#### 2. Other account receivable

##### (1) Aging analysis for account receivable

Item	31 Dec 2009			31 Dec 2008		
	Amount	Proportion %	Provision of bad debt	Amount	Proportion %	Provision of bad debt
Within 1 year	5,106,632.36	26.22	0.00	6,181,591.07	30.57	0.00
1-2 years	1,345,108.78	6.91	0.00	3,273,395.26	16.19	1,769,000.00
2-3 years	2,608,427.03	13.39	2,441,584.07	352,584.87	1.74	0.00
More than 3 years	10,415,941.47	53.48	9,746,937.83	10,415,941.47	51.50	9,746,937.83
<b>Total</b>	<b>19,476,109.64</b>	<b>100.00</b>	<b>12,188,521.90</b>	<b>20,223,512.67</b>	<b>100.00</b>	<b>11,515,937.83</b>

##### (2) Risk classification for other receivables

Item	31 Dec 2009				31 Dec 2008			
	Amount	Ratio%	Provision for bad debt Amount	Ratio%	Amount	Ratio%	Provision for bad debt Amount	Ratio%
Accounts receivable material in individual amounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	19,476,109.64	100.00	12,188,521.90	100.00	20,223,512.67	100.00	11,515,937.83	100.00
<b>Total</b>	<b>19,476,109.64</b>	<b>100.00</b>	<b>12,188,521.90</b>	<b>100.00</b>	<b>20,223,512.67</b>	<b>100.00</b>	<b>11,515,937.83</b>	<b>100.00</b>

##### (1) Accounts receivable material in individual amounts

Name	Balance	Provision for bad debts	Proportion (%)	Reasons for provision
Southeast Asia	9,088,241.00	9,088,241.00	100.00	Expected irrecoverable
Others	10,387,868.64	3,100,280.90	29.85	Partially Expected irrecoverable
<b>Total</b>	<b>19,476,109.64</b>	<b>12,188,521.90</b>		

(3) There are no actual write-off of other accounts receivable.

(4) The end balance of other receivables is not including any shareholder holds 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(%)	nature
Southeast Asia	The Company's client	9,088,241.00	More than 3 years	46.66	Receivables
Beijing Beiren Jingyan Printing Machinery Factory	Subsidiary	699,258.40	1-2 years	3.59	On behalf of wages, withholding insurance
Heating company Ningxia Xinhua Printing House	Heat suppliers The Company's client	670,000.00	More than 3 years	3.44	Deposit
Beijing Northern Forging Machine Co., Ltd.	The Company's client	657,700.47	More than 3 years	3.38	Receivables
		500,000.00	Less than 1 year	2.57	Disposal of equipment
<b>Total</b>		<b>11,615,199.87</b>		<b>59.64</b>	

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## XV. 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 Automations Co., Ltd.	Associated company	50,331.00	0.26
Beijing Beiren Jingyan Printing Machinery Factory Subsidiary		699,258.40	3.59
<b>Total</b>		<b>749,589.40</b>	<b>3.85</b>

#### (7) End balance in foreign currency of other account receivable:

Foreign currency	31 Dec 2009			31 Dec 2008		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
HKD	10,305,296.52	0.8805	9,088,241.00	10,305,296.52	0.8819	9,088,241.00

### 3. Long-term equity investment

#### (1) Long-term equity investments

Item	31 Dec 2009	31 Dec 2008
Calculated long-term equity investment according to cost method	201,060,699.26	202,594,699.26
Calculated long-term equity investment according to rights and interests method	15,100,595.32	14,478,492.90
Sum of long term stock rights investment	216,161,294.58	217,073,192.16
Less: provide of devaluation for long-term equity investment	0.00	0.00
Net value of long-term equity investment	216,161,294.58	217,073,192.16

#### (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 Machinery 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	2,534,000.00	0.00	0.00
Beijing Beiren Jingyan Printing Machinery Factory Printing Machinery Factory	100.00	100.00	1,000,000.00	0.00	1,000,000.00	0.00	1,000,000.00	0.00
Haimen Beiren Fuji Printing Machinery Co., Ltd.	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			203,594,699.26	202,594,699.26	1,000,000.00	2,534,000.00	201,060,699.26	0.00
Equity Method								
Beijing Monigraf Automations Co. Ltd.	49	49	3,675,000.00	8,794,891.76	84,321.25	0.00	8,879,213.01	0.00
Beijing Beiyong Casting Co. Ltd.	20	20	1,136,000.00	5,683,601.14	537,781.17	0.00	6,221,382.31	0.00
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	49	49	22,540,000.00	0.00	0.00	0.00	0.00	0.00
Sub-total			27,351,000.00	14,478,492.90	622,102.42	0.00	15,100,595.32	0.00
<b>Total</b>			<b>230,945,699.26</b>	<b>217,073,192.16</b>	<b>1,622,102.42</b>	<b>2,534,000.00</b>	<b>216,161,294.58</b>	<b>0.00</b>

## NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

### XV. Notes to the Main Items of Parent Company's Financial Report (Continued)

#### 3. Long-term equity investment (Continued)

##### (3) Associations

Name of invested companies	Nature of Company	Place of register	Legal representative	Nature of Business	Registered capital	Shareholding %	Voting %
Associations							
Beijing Monigraf Automations Co., Ltd.	Sino-Foreign Equity Joint Venture Enterprise	Beijing	Zhangpeiwu	Manufacture	15,000,000	49	49
Beijing Beiyong Casting Company Limited	Limited Liability company	Beijing	Pangliandong	Manufacture	5,680,000	20	20
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	Sino-Foreign Equity Joint Venture Enterprise	Beijing	Pangliandong	Manufacture	46,000,000	49	49
<b>Total</b>					<b>66,680,000</b>		

Name of invested companies	Total net assets at the end of period	Total net liabilities at the end of period	Balance at the end of period	Total operating income for the current period	Net income for the current period
Associations					
Beijing Monigraf Automations Co., Ltd.	26,554,332.22	8,433,489.34	18,120,842.88	13,967,328.82	172,084.19
Beijing Beiyong Casting Company Limited	85,561,619.95	54,454,708.46	31,106,911.49	102,649,871.92	2,688,905.83
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	178,285,766.88	209,933,686.98	-31,647,920.10	23,178,396.56	-12,073,196.84
<b>Total</b>	<b>290,401,719.05</b>	<b>272,821,884.78</b>	<b>17,579,834.27</b>	<b>139,795,597.30</b>	<b>-9,212,206.82</b>

##### (4) Operating income and cost

Item	2009	2008
Operating income	<b>430,898,134.81</b>	432,536,934.57
Non-operating income	<b>13,619,803.18</b>	16,417,410.61
Total	<b>444,517,937.99</b>	448,954,345.18
Operating cost	<b>423,295,583.18</b>	386,477,437.26
Non-operating cost	<b>4,946,751.00</b>	11,781,569.67
<b>Total</b>	<b>428,242,334.18</b>	<b>398,259,006.93</b>

##### (1) Operating income/cost – in classification of products/business

Item	2009		2008	
	Operating income	Operating cost	Operating income	Operating cost
Printing machine	<b>425,417,992.90</b>	<b>415,478,634.75</b>	421,677,055.43	360,943,861.73
Attachment	<b>5,461,630.21</b>	<b>7,814,681.75</b>	10,785,848.65	25,478,142.98
others	<b>18,511.70</b>	<b>2,266.68</b>	74,030.49	55,432.55
<b>Total</b>	<b>430,898,134.81</b>	<b>423,295,583.18</b>	<b>432,536,934.57</b>	<b>386,477,437.26</b>

(2) Total income from top five customers was RMB78,982,051.28 represent 18.33% of total income.

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## XV. Notes to the Main Items of Parent Company's Financial Report (Continued)

### 3. Long-term equity investment (Continued)

#### (5) Investment income

##### (1) Sources of investment income

Item	2009	2008
Investment income of long-term shareholding in equity method	622,102.42	-8,976,805.23
Investment income of disposal of long-term shareholding investment	-2,484,000.00	0.00
<b>Total</b>	<b>-1,861,897.58</b>	<b>-8,976,805.23</b>

There was no significant limit for remittance of investment income.

##### (2) Investment income of long-term shareholding in equity method

Item	2009	2008	Reasons for movement
<b>Total</b>	<b>622,102.42</b>	<b>-8,976,805.23</b>	
Among the total:			
Beijing Beiyong Casting Company Limited	537,781.17	942,745.64	Decrease on profit
Beijing Monigraf Automations Co., Ltd.	84,321.25	823,857.05	Decrease on profit
Beijing Mitsubishi Heavy Industries Beiren Printing	0.00	-10,743,407.92	Insolvent

#### (6) Parents Income statement Supplementary Information

Item	2009	2008
<b>1. Consolidate Net profit into Cash Flow From Operating Activities:</b>		
Net Profit	-152,695,508.46	-187,372,668.22
Add: Asset impairment	30,293,161.69	70,390,413.42
Deperatiation-Fixed assets	32,576,635.11	33,591,114.26
Amortization-Intangible Assets	2,343,369.72	2,652,732.93
Amortization-Long term deferred expens	66,000.00	66,000.00
Loss from the sale of fixed assets, intangible assets and other long-term assets (earnings show as "-")	-1,058,330.32	510,432.37
Loss of fixed assets scrapped (earnings show as "-")	0.00	0.00
Changes in fair value through profit or loss (earnings show as "-")	0.00	0.00
Finance expence (earnings show as "-")	13,090,188.00	15,296,872.40
Loss on Investment (earnings show as "-")	-1,861,897.58	8,976,805.23
Decrease on Deferred Income tax (increases show as "-")	0.00	0.00
Increase on Deferred Income tax (decreases show as "-")	0.00	0.00
Decrease on Inventory (decreases show as "-")	150,772,618.04	-54,930,575.80
Decrease on Operating Receivables (increases show as "-")	54,480,733.29	134,335,491.23
Increase on Operating Payables (decreases show as "-")	-37,196,038.60	-16,393,824.25
Others	0.00	0.00
Net Value on Cash Flow From Operating Activities	90,810,930.89	7,122,793.57
<b>2. Non-cash income and expenditure of the major investment and financing activities:</b>		
Conversion of debt into capital		
Convertible corporate bonds-Due within 1 year		
Finance lease of fixed assets		
<b>3. Net changes in cash and cash equivalents:</b>		
Closing Balance of cash	86,568,028.75	47,941,532.77
Less: Opening Balance of cash	47,941,532.77	76,186,356.44
Add: Closing Balance of cash equivalents	0.00	0.00
Less: Opening Balance of cash equivalents	0.00	0.00
Net Increase on cash and cash equivalents	38,626,495.98	-28,244,823.67



# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## XVI. Supplementary Information

### 1. Non-operating profit and loss statement

Item	2009	Note
Profit and loss from Non current-assets	<b>764,693.49</b>	VII, 41, VII, 42
government subsidies in current profit and loss	<b>8,435,792.39</b>	VII, 41
Debt restructuring gains and losses	<b>22,577.81</b>	VII, 41
Impairment reversal on impairment tested receivables	<b>764,232.29</b>	VII, 3, VII, 6
Adjustment impact on the current profit and loss in according to the tax, accounting and other laws and regulations	<b>-456,479.58</b>	
Profit and loss on transfer of holding long-term equity investment	<b>630,814.67</b>	VII, 40
Other non-operating income and expenses	<b>1,383,093.49</b>	VII, 41, VII, 42
Sub-total	<b>11,544,724.56</b>	
Income tax effect	<b>0.00</b>	
Minority Interests effect (after tax)	<b>732,517.57</b>	
Total	<b>10,812,206.99</b>	

Note: According to the Weinan City, Local Taxation Bureau issued Wei [2009] No. 1 "Tax matters of administrative punishment" and the Wei [2009] No. 2 "Tax penalties", company's subsidiary Shaanxi Beiren Printing Machinery Company Limited, Shaanxi repaid Land use tax, property tax, surcharge for education, corporate income tax and personal income tax worth a combined amount of RMB-1,340,390.95 yuan for 2007 and 2008 respectively. According to <Verification Report of Enterprise Income Tax 2008>, RMB883,911.37 yuan is reversed as income tax expenditure for the current year.

### 2. Accounting Data variation in according to the difference between Chinese Accounting standards and Overseas Accounting standards

In RMB 0'000

Item	Net profit		Net assets	
	2009	2008	2009	2008
HK Financial Reporting Standards	<b>-179,187</b>	-285,113	<b>733,852</b>	913,039
1. Difference in the estimated value of assets invested by Beiren Group	<b>0.00</b>	0.00	<b>60,198</b>	60,198
2. Subsequent amortization of difference in the estimated value of assets invested by Beiren Group	<b>-66</b>	-66	<b>-48,475</b>	-48,409
3. Difference in the estimated value of assets invested into affiliated companies	<b>-31</b>	-31	<b>166</b>	197
4. Difference in the recognized goodwill from the acquired affiliated companies	<b>0.00</b>	0.00	<b>-4,479</b>	-4,479
5. Difference in the amortization of the recognized goodwill from the acquired affiliated companies	<b>0.00</b>	3,135	<b>4,479</b>	4,479
6. Difference in deferred taxes recognized	<b>0.00</b>	1,622	<b>0.00</b>	0.00
7. Difference in the written-off amount in the impairment of assets	<b>0.00</b>	-1,730	<b>0.00</b>	0.00
8. Others	<b>-234</b>	-645	<b>-2,432</b>	-2,198
China Accounting Standards	<b>-179,518</b>	-282,828	<b>743,309</b>	922,827

# NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)  
For the year ended 31 December 2009

## XVI. Supplementary Information (Continued)

### 2. Accounting Data variation in according to the difference between Chinese Accounting standards and Overseas Accounting standards (Continued)

Note: There are effected amount of RMB331 thousands in the net profit arising from the variance between the overseas and domestic accounting standards, the main difference are as follows:

- (1) For the difference in the estimated value of assets invested by Beiren Group, in accordance with the HK Financial Reporting Standards, the land development expenses invested by Beiren Group into the Company are treated as increase in the capital reserve. In accordance with china <Accounting Standards for Business Enterprises>, it is treated as increase in the long-term prepayments. Therefore, the Company makes the reversal of RMB66 thousands in the relevant amortization.
- (2) For the difference in the estimated value of assets invested into affiliated companies, in accordance with the HK Financial Reporting Standards, the Company's investment of RMB4,624 thousands of the intangible assets should be written-off. In accordance with china <Accounting Standards for Business Enterprises>, the intangible assets should be recognized in the assets of the Group, therefore, the Company makes the reversal of RMB31 thousands in the relevant amortization.

### 2. Accounting Data variation in according to the difference between Chinese Accounting standards and Overseas Accounting standards (Continued)

#### Returns on net assets and earnings per share

Profit for the reporting period	Weighted average(%)	Earnings per share	
		Basic EPS	Diluted EPS
Net profit for equity holders of the parent company	-21.49	-0.41	-0.41
Net profit for equity holders of the parent company after extraordinary items	-22.85	-0.44	-0.44

## XVII. Approval of Financial Statements

The Company's financial statements were issued with the approval of the Board of the directors of the Company on 18 March 2010.

## 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 2009 were summarized as follows:

### Operating Results

(Prepared under Hong Kong Financial Reporting Standards)

	<b>2009</b> <b>RMB'000</b>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Turnover	<b>748,384</b>	739,161	1,052,869	966,077	994,192
(Loss) profit before tax	<b>(179,659)</b>	(289,070)	6,157	(103,197)	77,092
Taxation	<b>472</b>	3,957	(870)	(17,346)	(15,507)
(Loss) profit for the year	<b>(179,187)</b>	(285,113)	5,287	(120,543)	61,585
Attributable to:					
Equity holders of the Company	<b>708,677</b>	882,351	1,148,748	(119,794)	57,553
Minority interests	<b>25,175</b>	30,688	50,375	(749)	4,032

### Balance Sheet

(Prepared under Hong Kong Financial Reporting Standards)

	<b>2009</b> <b>RMB'000</b>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Assets					
Current assets	<b>935,219</b>	1,108,591	1,318,635	1,223,246	1,274,155
Non-current assets	<b>793,108</b>	840,552	891,646	899,355	863,921
Total assets	<b>1,728,327</b>	1,949,143	2,210,281	2,122,601	2,138,076
Liabilities					
Current liabilities	<b>937,567</b>	972,517	954,129	927,647	791,279
Non-current liabilities	<b>56,908</b>	63,587	57,029	2,000	4,000
Total liabilities	<b>994,475</b>	1,036,104	1,011,158	929,647	795,279
Total equity	<b>733,852</b>	913,039	1,199,123	1,192,954	1,342,797
Attributable to:					
Equity holders of the Company	<b>708,677</b>	882,351	1,148,748	1,142,674	1,291,768
Minority interests	<b>25,175</b>	30,688	50,375	50,280	51,029

## 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**  
18 March 2010

## CONFIRMATION ON THE 2009 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 2009 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		Wang Hui	Independent non-executive director	
Zhao Guorong	Vice Chairman		Xie Bingguang	Independent non-executive director	
Bai Fan	Non-executive director		Wang Deyu	Independent non-executive director	
Zhang Peiwu	Executive director and general manager		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	
Xu Wencai	Independent non-executive director				

The Board of Directors of Beiren Printing Machinery Holdings Limited  
18 March 2010