

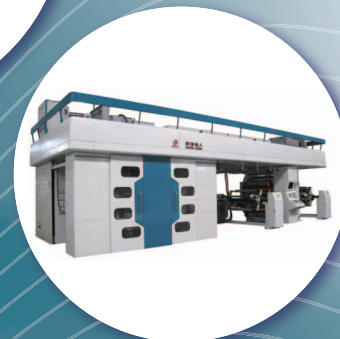
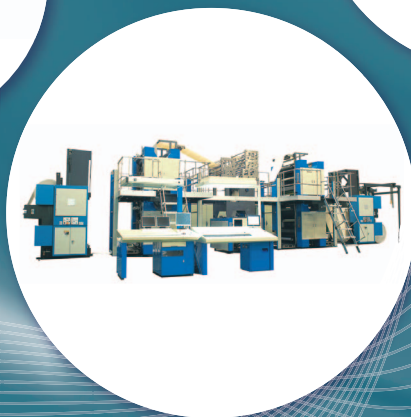


北人
BEIREN

北人印刷機械股份有限公司
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.



Annual Report
2010

I.	Important Notes	2
II.	Introduction to the Company	3
III.	Summary of Accounting and Operational Data	5
IV.	Movement of Shareholders' Equity and Information of Shareholders	8
V.	Directors, Supervisors, Senior Management and Staff	13
VI.	Corporate Governance and Governance Report	18
VII.	Introduction to the Annual General Meeting	43
VIII.	Chairman's Statement	44
IX.	Management Discussion and Analysis	47
X.	Report of the Directors	52
XI.	Report of the Supervisory Committee	56
XII.	Major Events	58
XIII.	Auditor's Report and Financial Statements	64
XIV.	Five Years' Financial Summary	170
XV.	Documents Available for Inspection	171
	Written Confirmation on the Annual Report by Directors and the Senior Management of the Company	172



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. Zhao Guorong
General Manager	Mr. Zhang Peiwu
Chief Accountant	Mr. Duan Yuangang

Mr. Zhao Guorong, 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.

(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	Zhao Guorong

(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	http://www.beirengf.com
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	http://www.sse.com.cn http://www.hkexnews.hk
Place for preparation and reference of annual reports	Secretariat of the Board of Directors of Beiren Printing Machinery Holdings Limited

(V) Basic Information of the Company's Shares

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

(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	43/F, The Lee Gardens, 33 Hysau Avenue, Causeway Bay, 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.

(I) Major Accounting Figures

Unit: RMB

Item	Amount
Operating profit	9,331,102.58
Total profit	24,969,577.41
Net profit attributable to shareholders of listed company	22,279,381.53
Net profit attributable to shareholders of listed company after extraordinary items	-166,002,789.76
Net cash flow from operating activities	6,517,405.27

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

The difference between the new profit and new assets as shown in financial reports prepared in accordance with the IFRS and the PRC GAAP

Unit: RMB'000

Item	Net profit		Net assets	
	2010	2009	2010	2009
Under HK GAAP:	27,422	-179,187	761,113	733,852
1. Difference in valuation of net assets contributed to the Company by Beiren Group Corporation	-60,198	0	0	60,198
2. Consequential adjustment on net assets contributed by Beiren Group Corporation	48,475	-66	0	-48,475
3. Difference in valuation of capital contribution to subsidiaries	-166	-31	0	166
4. Recognition of goodwill upon acquisition of a subsidiary	1,344	0	-3,135	-4,479
5. Amortization of goodwill upon acquisition of a subsidiary	-1,344	0	3,135	4,479
6. Differences in recognition of deferred tax assets/liabilities	0	0	0	0
7. Differences in depreciation, written off and recognition of assets	0	0	0	0
8. Others	3,937	-234	0	-2,432
Under PRC accounting standards	19,470	-179,518	761,113	743,309

Differences between the PRC and Hong Kong Financial Reporting Standards

The Company has transferred real estate located at Fatou Factory area to its parent company, Beiren Group Corporation during this period. It was accounted into intangible assets in accordance with P.R.C accounting standard while variation has arisen in comparison with Hong Kong GAAP which was reversed; therefore the arisen net profits variation is RMB 7,952,000.

(III) Deducting Extraordinary Items and Amount

Unit: RMB

Extraordinary items	Amount	Notes
Profit (loss) from disposal of non-current assets	4,279,750.48	
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.)	9,675,745.75	
Profit (loss) from debt restructuring	1,583,495.15	
Reversal of impairment allowances for receivables individually tested for impairment	1,161,100.00	
Other net non-operating income/expenses save for the above	99,483.45	
Other profit and loss items qualified as extraordinary items	172,039,266.78	The Company disposed of three subsidiaries during the year and the investment gain was mainly from disposal of the equity of the subsidiaries Beiren Yixin and Haimen Beiren Fuji
Effect on income tax	0	
Effect on minority interests (after tax)	-556,670.32	
Total	188,282,171.29	

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

Key Financial Data	<i>Unit: RMB</i>			
	2010	2009	Changes over the same period of the preceding year (%)	2008
Income from principal operations	821,357,719.69	767,668,587.26	6.99	759,050,785.96
Total profit	24,969,577.41	-179,989,911.27	N/A	-288,406,836.49
Net profit attributable to shareholders of listed company	22,279,381.53	-174,004,582.85	N/A	-263,141,611.27
Net profit attributable to shareholders of listed company after extraordinary items	-166,002,789.76	-184,816,789.84	N/A	-269,010,827.39
Net cash flow from operating activities	6,517,405.27	120,659,594.60	-94.60	12,237,975.94
	As at the end of 2010	As at the end of 2009	Changes from the end of 2009 to the end of 2010 (%)	As at the end of 2008
Total asset	1,457,360,678.14	1,737,782,547.50	-16.14	1,959,518,162.60
Equity interest of owners (or shareholders' equity)	744,999,407.83	722,862,519.49	3.06	896,867,102.34
				<i>Unit: RMB</i>
Major financial indicators	2010	2009	Changes from the end of 2009 to the end of 2010 (%)	2008
Basic earnings per share (RMB/share)	0.05	-0.41	N/A	-0.62
Diluted earnings per share (RMB/share)	0.05	-0.41	N/A	-0.62
Basic earnings per share after extraordinary items (RMB/share)	-0.39	-0.44	N/A	-0.64
Returns on net assets on weighted average basis (%)	3.04	-21.49	N/A	-25.56
Return on net assets on weighted average basis after extraordinary items (%)	-22.62	-22.82	N/A	-26.13
Net cash flow per share from operating activities (RMB/share)	0.015	0.286	-94.76	0.029
	As at the end of 2010	As at the end of 2009	Changes from the end of 2009 to the end of 2010 (%)	As at the end of 2008
Net asset per share attributable to shareholders of listed company (RMB/share)	1.77	1.71	3.51	2.13

(I) Changes in Share Capital

1. Statement of changes in share capital

	Before change		Increase/decrease in this change (+/-)					After change		
	Number	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserves		Sub-total	Number	Percentage (%)	
					Others					
(I) Shares subject to trading moratorium										
1. State-owned shares										
2. State-owned legal person shares										
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										
(II) Circulating shares not subject to trading moratorium										
1. Renminbi ordinary shares	322,000,000	76.3						322,000,000	76.3	
2. Foreign shares listed domestically										
3. Foreign shares listed overseas	100,000,000	23.7						100,000,000	23.7	
4. Others										
(III) Total shares	<u>422,000,000</u>	<u>100</u>					<u>0</u>	<u>0</u>	<u>422,000,000</u>	<u>100</u>

About the approval of changes in shareholding

Under the Share segregation Reform, the major shareholder of the Company, Beiren Group Corporation, has fulfilled all its undertakings. All the shares of the Company held by Beiren Group Corporation are circulating share free from trading moratorium. As of the Reporting period, the Beiren Group Corporation holds 201.62 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.

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. Beiren Group Corporation sold 20,000 shares of the Company to the public in December 2010 and as of the reporting period, Beiren Group Corporation holds 201.62 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.

2. Change in restricted circulating shares

During the reporting period, there is no change in restricted circulating shares of the Company.

(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, there is no change in total number of shares and the shareholding structure of the Company due to reasons such as bonus issue and rights issue.

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 2010:	
	Opening price at beginning of year:	HK\$2.50
	Closing price at end of year:	HK\$2.86
	Highest price:	HK\$3.71
	Lowest price:	HK\$2.23
(2)	A Shares prices in 2010:	
	Opening price at beginning of year:	RMB7.92
	Closing price at end of year:	RMB7.00
	Highest price:	RMB10.08
	Lowest price:	RMB5.55

(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: 19,624 (including: 19,537 A share holders and 87 H share holders)

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	47.78	201,620,000	-21,020,000	0	Nil
HKSCC NOMINEES LIMITED	unknown	23.29	98,309,199	154,000	0	unknown
China Construction Bank-Fortis Haitong Style Rotation Equity Securities Investment Fund	unknown	1.59	6,702,042	6,702,042	0	unknown
Changjiang Securities Co., Ltd.	unknown	0.96	4,032,327	4,032,327	0	unknown
Rising Securities Co., Ltd.	unknown	0.57	2,403,905	2,403,905	0	unknown
Daxiang Venture Capital Investment Limited	unknown	0.29	1,220,000	1,220,000	0	unknown
趙成金	unknown	0.24	1,000,000	1,000,000	0	unknown
伍志强	unknown	0.19	820,000	0	0	unknown
Shandong International Trust Corporation-Jisheng Phase I Bond Investment Collective Fund Trust Scheme	unknown	0.19	800,000	800,000	0	unknown
北京通匯萬達投資顧問有限公司	unknown	0.19	784,100	784,100	0	unknown

(III) Shareholders and Beneficial Controller *(cont'd)*
1. Number of shareholders and their shareholding *(cont'd)*
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	201,620,000	Renminbi ordinary shares	201,620,000
HKSCC NOMINEES LIMITED	98,309,199	Foreign shares listed overseas	98,309,199
China Construction Bank-Fortis Haitong Style Rotation Equity Securities Investment Fund	6,702,042	Renminbi ordinary shares	6,702,042
Changjiang Securities Co., Ltd.	4,032,327	Renminbi ordinary shares	4,032,327
Rising Securities Co., Ltd.	2,403,905	Renminbi ordinary shares	2,403,905
Daxiang Venture Capital Investment Limited	1,220,000	Renminbi ordinary shares	1,220,000
趙成金	1,000,000	Renminbi ordinary shares	1,000,000
伍志强	820,000	Renminbi ordinary shares	820,000
Shandong International Trust Corporation-Jisheng Phase I Bond Investment Collective Fund Trust Scheme	800,000	Renminbi ordinary shares	800,000
北京通匯萬達投資顧問有限公司	784,000	Renminbi ordinary shares	784,100

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

As of the reporting period, shares subject to trading moratorium held by the Company were all listed for circulation in the market. The Company is not aware of any connected relationship among the aforesaid shareholders, nor is the Company aware of any parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders.

1. Among the top ten shareholders of the Company, Beiren Group Corporation is the controlling shareholder of the Company. As of the reporting period, shares subject to trading moratorium held by Beiren Group Corporation were all listed for circulation in the market.
2. HKSCC Nominees Limited held shares on behalf of its clients and the Company has not been notified by HKSCC Nominees Limited that there was any holder of H Shares who separately held 5% or more of the total share capital of the Company.
3. None of the shareholders holding 5% or more of the Company's shares are in position where their shares have been pledged or locked up.
4. There was no change in respect of shareholders holding 5% or more of the Company's shares.
5. Save as disclosed above, 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.
6. Purchase, sale or redemption of the Company's listed securities. During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.
7. Pre-emptive rights
There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.
8. Convertibles, options, warrants or other similar rights
As of 31 December 2010, the Company did not issue any convertible securities, options, warrants or any other similar right.

(III) Shareholders and Beneficial Controller *(cont'd)*

2. Controlling shareholder and beneficial controller

(1) Details of controlling shareholders and beneficial controller

Details of controlling shareholders

Beiren Group Corporation was established in 1952, and now become a well-known printing machinery manufacturing group in China, and is one of the 520 enterprises mainly fostered by the government. Beiren Printing Machinery Holdings Limited, which was solely established by Beiren Group Corporation, is one of the 9 enterprises first listed on the security market in Hong Kong. After entering the 21 century, under the strategic guideline of "expanding into the pre-press and post-press fields to become the supplier of the complete system in the printing machinery industry", Beiren Group Corporation gradually developed the riding press and perfect binding line post-press products through operation of the products and capital to fill the product gap in China and are well received by the market.

As of the reporting period, Beiren Group Corporation held 201,620,000 shares of the Company, accounting for 47.78% of the total share capital of the Company, and all of which were circulating shares not subject to trading moratorium.

Details of beneficial controller

Our beneficial controller Beijing Jingcheng Mechanical & Electrical Holding Co., Ltd. ("JCH") is large state-owned company authorized by Beijing municipal government. The registered capital of the Company is RMB1.6 billion with total assets of RMB24.7 billion. JCH is committed to develop into a flagship in the equipment manufacturing industry in China and has become a core business segment for printing machines, functional units of CNC machines, construction machinery, environmental protection industry and power generation and transmission equipment with leading position in China. JCH has established trading links with over 70 countries and regions as well as long term and stable joint stock and cooperative business relationship with world famous enterprises including ABB, ALSTOM, B&W, OKUMA, NISSIN, HYUNDAI and TADANO. Based on the notion of maximizing shareholders' benefit and the principle of integrity, JCH actively participates in competition in the international market and is willing to achieve success in the equipment manufacturing industry with the global partners.

(2) 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.

(III) Shareholders and Beneficial Controller *(cont'd)*

2. Controlling shareholder and beneficial controller *(cont'd)*

(3) Status of beneficial controller

The legal person

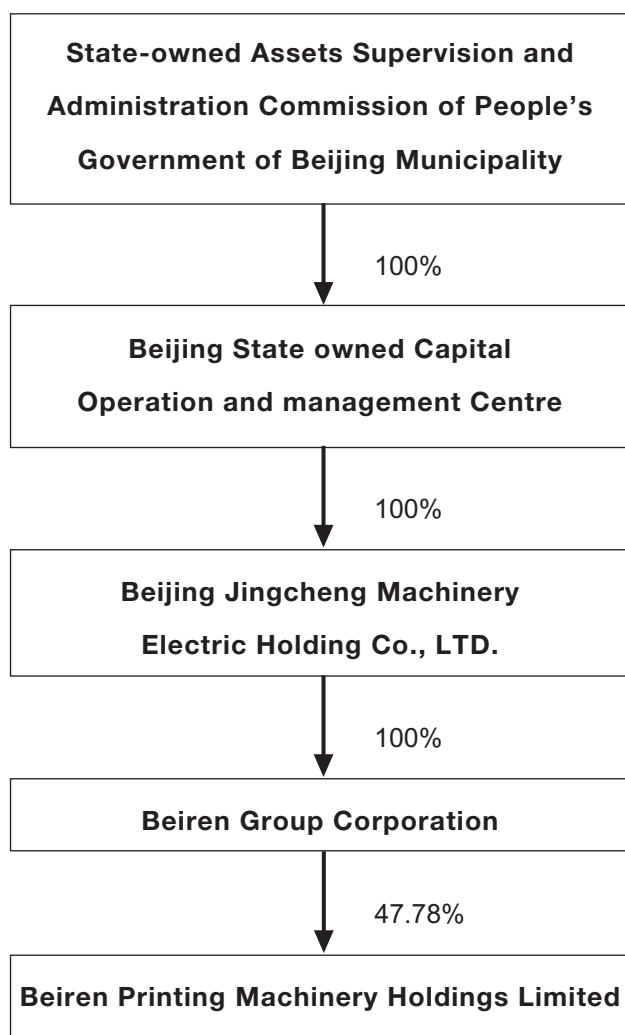
Unit: RMB0'000

Name	Beijing Jingcheng Machinery Electric Holding Co., Ltd.
The person in charge of the Company or Legal representative	Ren Yaguang
Date of incorporation	8 September 1997
Registered capital	163,454.55
Principle activities	State-owned assets operation and management within the scope of authorization; operation of title (ownership); external financing and investment.

(4) 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.

(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 (RMB0'000)	Whether receiving any remuneration or allowance from shareholder entities or other associated entities
Zhao Guorong	Chairman	Male	39	2009-11-3	2011-07-13	0	0		0	Yes
Zhang Peiwu	Director and General Manager	Male	47	2008-7-14	2011-07-13	0	0		30.9	No
Duan Yuangang	Director and Chief Accountant	Male	36	2009-01-08	2011-07-13	0	0		22.2	No
Xu Wencai	Independent Non-executive Director	Male	53	2008-7-14	2011-07-13	0	0		4	No
Wang Hui	Independent Non-executive Director	Female	49	2008-7-14	2011-07-13	0	0		4	No
Xie Bingguang	Independent Non-executive Director	Male	55	2008-7-14	2011-07-13	0	0		4	No
Wang Deyu	Independent Non-executive Director	Male	36	2008-7-14	2011-07-13	0	0		4	No
Wang Liansheng	Chairman of the Supervisory Committee	Male	52	2009-11-3	2011-07-13	0	0		14.8	No
Guo Xuan	Supervisor	Male	40	2008-7-14	2011-07-13	0	0		17.2	No
Jiao Ruifang	Secretary to the Board of Directors	Female	33	2008-7-14	2011-07-13	0	0		21.9	No
Kong Dagang	Deputy General Manager	Male	52	2008-7-14	2011-07-13	0	0		21.5	No
Chen Changge	Deputy General Manager	Male	43	2010-9-21	2011-07-13	0	0		11.3	No
Total	/	/	/	/	/	/	/	/	155.8	/

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 2010, 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 2010, 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 2010.

(I) Directors, Supervisors and Senior Management *(cont'd)*

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 who hold senior management positions in the Company will range from RMB150,000 to RMB200,000 for the first year of their tenure. The basic salary for the second and third year of their tenure will be adjusted based on the performance of the Company, where the maximum will not exceed 120% of the basic salary of the previous year and the minimum will not be less 90% of the basic salary of the first year of tenure. The amount of their 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:

- (1) Zhao Guorong, Chinese nationality, male, aged 39, 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 is Chairman of Beiren Printing Machinery Holdings Limited. 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.
- (2) Zhang Peiwu, Chinese nationality, male, aged 47, 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.
- (3) Duan Yuangang, Chinese nationality, male, aged 36, 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.
- (4) Xu Wencai, Chinese nationality, male, aged 53, 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, 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.

(I) Directors, Supervisors and Senior Management *(cont'd)*

3. Profiles of directors, supervisors and senior management during the last five years: *(cont'd)*

- (5) Wang Hui, Chinese nationality, female, aged 49, 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.
- (6) Xie Bingguang, Chinese nationality, male, aged 55, 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.
- (7) Wang Deyu, Chinese nationality, male, aged 36, 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.
- (8) Mr. Wang Liansheng, Chinese nationality, male, aged 52, 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.
- (9) Guo Xuan, Chinese nationality, male, aged 40, 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.
- (10) Jiao Ruifang, Chinese nationality, female, aged 33, Secretary to the Board of Directors, an MBA from The Chinese University of Hong Kong, and a senior project manager. 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 corporate governance, formulation of strategy, management planning, foreign investment, asset reorganization.

(I) Directors, Supervisors and Senior Management *(cont'd)*

3. Profiles of directors, supervisors and senior management during the last five years: *(cont'd)*

- (11) Kong Dagang, Chinese nationality, male, aged 52, 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.
- (12) Chen Changge, male, Chinese nationality, aged 43, graduated from the Business School of the University of International Business and Economics, an MBA. Mr. Chen was Secretary of League Committee of Beiren Group Corporation; Chief Production Coordinator, Workshop Manager, Assistant to Production Manager and Secretary of Party Committee of Beiren Printing Machinery Holdings Limited Single/Double Color Branch, and is Member of Party Committee of Beiren Printing Machinery Holdings Limited; and General Manager and Secretary of Party Committee of Web-fed Branch. Mr. Chen has extensive experience in corporate culture research and production management.

(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	Chairman	2009-7-13		Yes

Positions in Other Entities

As at the end of the reporting period, the directors, supervisors and senior management have no position in other entities.

(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).

(IV) Changes in Directors, Supervisors and Senior Management

Name	Position	Situation	Reason of change
Zhao Guorong	Chairman	Election	Elected as Chairman from Vice-chairman
Pang Liandong	Chairman	Leave the post	Resigned as Director and Chairman because he has reached the retirement age
Bai Fan	Director	Leave the post	Resigned as Director because of change in work.
Yang Zhendong	Director	Leave the post	Resigned as Director because of change in work.
Shao Zhenjiang	Supervisor	Leave the post	Resigned as Supervisor because of change in work.
Liu Jing	Deputy general manager	Leave the post	Resigned as Deputy general manager because of change in work

Explanations:

- The resolution in respect of the election of Mr. Zhao Guorong as the Chairman of the Sixth Board of Directors of the Company was considered and approved at the Fourth Extraordinary General Meeting of the Sixth Board of Directors of the Company on 2 June 2010. This matter was disclosed at "Shanghai Securities Daily" on 3 June 2010 and 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 2 June 2010.
- As Mr. Pang Liandong has reached the retirement age, he tendered his resignation to the Board to resign as director and Chairman of the company with effect from 2 June 2010. This matter was disclosed at "Shanghai Securities Daily" on 3 June 2010 and 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 2 June 2010.
- Due to change of work, Mr. Bai Fan, Mr. Yang Zhendong and Mr. Liu Jing tendered their resignation to the Board to resign as director, director and deputy general manager and deputy general manager of the company respectively with effect from 21 September 2010. This matter was disclosed at "Shanghai Securities Daily" on 27 September 2010 and 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 21 September 2010.
- Due to re-designation of work, Mr. Shao Zhenjiang tendered his resignation to the Supervisory Committee of the Company to resign as Employee Supervisor of the Company. However, as the resignation of Mr. Shao Zhenjiang will cause the number of supervisors to be lower than the quorum and that required by the Articles of Association, his resignation will be effective only upon the appointment of new supervisor at the general meeting of the Company. This matter was disclosed at "Shanghai Securities Daily" on 17 November 2010 and 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 16 November 2010.

(V) Details of the Staff

Total number of existing employees 1,714 Number of retired staff who incurred expenses of the Company 2,626

Professional

Professional type	Number of persons
Production staff	641
Sales staff	87
Technical staff	34
Financial staff	30
Management staff	206
Others	556

Educational Background

Education level	Number of persons
Master's degree	36
University graduates	248
Associate degree	350
Secondary technical graduates	97
Senior high school graduates and Technical school graduates	716
Professional school graduates or below	267

(I) Corporate Governance

During the reporting period, the Company has continuously perfected its governance structure as a legal person to regulate the operation of the Company in accordance with the Company Law, Securities Law and other laws and regulations and requirements of regulatory authorities. It has formulated systems such as the Responsibility System for Major Errors in Information Disclosure in Annual Reports, Registration System of Internal Information Receivers and Management System of External Information Users and revised the Rules of Procedure for the Board of Directors and Rules of Procedure for the Supervisory Committee to ensure the Company's compliance with laws and regulations.

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

During the reporting period, to weather through the difficulties, the Company transferred its non-core businesses and assets to major shareholder Beiren Group Corporation and the Beijing Securities Regulatory Bureau considered that there is competition between the business of Quarto Printing Machinery and that of the Company. Therefore, major shareholder Beiren Group Corporation has made the following commitments:

- 1 The Company will develop the business of Quarto Printing Machinery and once the business matures and has stable income, the Company will sell the business to Beiren Printing Machinery Holdings Limited at fair price.
- 2 If the business development of Quarto Printing Machinery is unsatisfactory, the Company will consider to withdraw from the business in due course.

The Company will strictly fulfill its commitments to Beiren Printing Machinery Holdings Limited and avoid competition between the business of Quarto Four Colors Printing Machinery and that of Beiren Printing Machinery Holdings Limited. It will also strive to resolve the above issues during the "12-5" period to avoid harming Beiren Printing Machinery Holdings Limited and its shareholder's interests.

In addition, 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.

(I) Corporate Governance *(cont'd)***4. In relation to supervisors and the Supervisory Committee**

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

5. In relation to stakeholders

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

6. In relation to information disclosure and investors relationship

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

7. Completion status of governance rectification of the Company during the reporting period**Rectification of governance issues completed during the year**

No.	Description
Jing Zheng Gong Si Fa [2009] No. 84	The Company has resolved the issue of inconsistency between building and land through transfer of assets during the reporting period 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.
Jing Zheng Gong Si Fa [2010] No. 177	The Company has made rectification in accordance with the requirements of "Regulatory Opinions of On-site Inspection on Beiren Printing Machinery Holdings Limited" (Jing Zheng Gong Si Fa [2010]No. 177) promulgated by BSRC. (1) The Company has revised the Rules of Procedure for the Board of Directors for the regulatory issues of the general meetings and board meetings and strictly followed the procedures in accordance with the requirements. (2) Beiren Group Corporation, the subordinate shareholder of the amount for the transfer of assets, also made full payment to the Company in accordance with the contract. (3) For the issue of rights of enquiry and monitoring on the carrying fund of the Company, the actual controller Beijing Jingcheng Machinery and Electric Holding Co., Ltd. has closed the enquiry, monitoring and fund allocation functions of all accounts of the sub-center for fund management of the Company to ensure its independence. (4) For the issue of competition existed in the transfer of business of Quarto Four Colors Printing Machinery, the subordinate shareholder Beiren Group Corporation has made undertaking on this matter to avoid competition between Quarto Four Colors Printing Machinery and the Company. (5) For the issue of absence of directors, the Company will elect the directors for the new Board of Directors at the 2010 Annual General Meeting to resolve the issue.

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
Absence of directors	Zhao Guorong	Addition of directors at the new Board of Directors of the Company in 2011	Under communication with shareholders	30 June 2011

(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.

(III) The Establishment and Completeness of the Company's Internal Control System

General plan for the establishment of internal control

- To further establish the internal control system of the Company in accordance with the requirements of the Basic Criteria for Corporate Internal Control and the Guidelines for Enterprise Internal Control issued by the five ministries.
- To organise the training of the Guidelines for Enterprise Internal Control, enhance awareness for risk prevention, actively respond to changes in internal and external environment and ensure implementation of key aspects and content.
- To strengthen the system for legal authorization, actively adjust and rationalize the business process and ensure the implementation of various risk prevention measures.
- To enhance the internal assessment standards, regularly assess the effectiveness of the internal control of the Company and supervise the implementation of the rectification measures.
- To further improve the management report system of the Company and promote our internal control system to the subsidiaries.

Work plan for establishment of a sound internal control system and its implementation

- To establish the internal control system of the Company in accordance with the requirements of the new guidelines on internal control issued by the five ministries**

Pursuant to the requirements of the (Cai Hui [2010] No. 11) Guidelines for Enterprise Internal Control issued by the five ministries on 15 April 2010, the Company has actively implemented various measures in accordance with the work requirements of the CSRC.

The Company has carried out special trainings for our directors, supervisors and executives organized by the CSRC, special training for our middle management and key personnel organized by the Company, so as to provide thorough and comprehensive understanding of the new internal control guidelines to our management teams at all levels.

The Company actively implemented the internal control system, combined with the requirements of our annual tasks and supervised and inspected the rectification of the defects of each unit, the preparation, approval and implementation of our annual plans and the responsibilities of positions and authorized implementation involving risk control, so as to guarantee the effectiveness of the implementation of the internal control system.

(III) The Establishment and Completeness of the Company's Internal Control System *(cont'd)*

Work plan for establishment of a sound internal control system and its implementation *(cont'd)*

2. Actively establish the internal control system of the subsidiaries

During the reporting period, Shaanxi Beiren Printing Machinery Company Limited actively implemented and established the internal control system. It has completed the establishment and trial run of the internal control system through comprehensive training and process rationalization and achieved effective implementation of the internal control system within the subsidiaries.

Establishment of inspection and supervision department for internal controls

The Department of Audit and Legal Affairs of the Company is responsible for the internal control audit and supervision of the effectiveness of internal control, regularly organising internal audit staff to inspect and assess the defects existed in the implementation of our internal control system, and the supervision of the implementation of the rectification measures.

Self-assessment of internal supervision and internal control

1. Evaluation of the Supervisory Committee.

The Supervisory Committee was able to truly fulfill its duties in accordance with the provisions of the Company Law and the Articles of Association as the Company's monitoring arm. It convened Supervisory Committee meetings on a regular basis, effectively monitored and assessed the Company's financial reports; senior management's violating 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, further strengthened 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, 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, which ensures the effectiveness of the continuous supervision of the Company's internal control system.

3. Effect of the implementation of control system.

Through the development and effective implementation of internal control system, the Company's risk management level was further enhanced and the Company's integrated competitiveness in complex business environment was increased substantially, laying a solid foundation for the Company's long term development. 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 reduce operation risk, financial risk and compliance risk. Besides, the implementation of all relevant significant aspects related to the financial statement as at 31 December 2010 in accordance with the control system standard was deemed effective.

Work arrangement for internal control by the Board

The Board of Directors audits the annual self-assessment report of the Company and regularly and irregularly inspects and supervises the establishment and effectiveness of the internal control of the Company through its Audit Committee.

Improvement of internal control system relating to financial accounting

- To strengthen the control on costs and expenses, implement budget control on various standards on costs and expenses of subsidiaries and strictly implement annual budget and monthly income and expenditure plan.
- To implement budget control on various levels including the Company, subsidiaries and departments in the annual budget. Perform control inspection on the implementation of budget monthly, enhance monthly analysis of budget with budget for the whole year, monthly analysis, alert within the month and analysis and feedback at the end of the month, and strengthen the process control of the budget.
- To actively assist the subsidiaries to perform inventory compression, strengthen the disposal of inventory with provision for impairment, actively dispose of backlog of inventory and goods under production, reduce the use of funds for inventory for the year and significantly mobilised the inventory of fund.

Defects of internal control and rectification

For the authorisation management issue identified in the internal control inspection assessment, the Department of Audit and Legal Affairs of the Company organised the inspection on rectification of internal control defects and ensured the effectiveness of the implementation of the internal control system.

It conducted internal audit supervision and inspection on the implementation of various processes of the annual budget in the internal control document and ensured the implementation of the annual budget in accordance with the system process.

It conducted internal audit supervision and inspection on the authorisation documents entered into by the external contracts to ensure strict implementation of the authorisation management system.

It conducted internal audit supervision and inspection on the letters of responsibilities for staff in key risk control points to ensure the implementation of authorisation of positions and requirements of responsibilities.

(IV) 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.

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

1. Overview 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 and the Guidelines for Enterprise Internal Control issued by the five ministries on 5 April 2010. 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.

(V) Self Assessment Report on the Company's Internal control (cont'd)**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 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 longterm 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 office of the Board of Directors, Offices of the Company, Department of Administration, Department of Investment and Development, Market Operation Centre, Department of Business Administration and Operation, Department of Human Resources, Department of Production Management, Department of Quality Assurance, Department of Finance, Department of Audit and Legal Affairs, IT Centre and Technology Centre, as well as the Singlesheet-fed Manufacturing Branch and Web-fed Manufacturing Branch established under the holdings company.

The Company further defined the principal duties of all departments and formulated an internal control system featuring vertical control and mutual checking and balances among each department and branch of the Company, which poses significant effects on the organisation of production, enhancement of product quality, increase of efficiency of the Company as well as risk prevention.

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.

(V) Self Assessment Report on the Company's Internal control *(cont'd)***2. Five key elements of the Company's internal control** *(cont'd)***(1) Internal control environment** *(cont'd)***(3) Allocation of duties and power of the Company**

The Company has established a clear division of duties and power and 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 based on PRC Labour Law and the relevant laws, rules and regulations of the State and Beijing and the actual condition of the Company. This system applies on all staff of Beiren Printing Machinery Holdings Limited.

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. The Company has amended and enhanced the job manual for all staff levels in the departments and branches of the Company, which further defines the scope of duties and authority of staff. The Company has continued to provide staff training and 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.

(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 antifraudulent measures. Assessment involves inspecting the status of implementation of the antifraudulent measures. Rectification means the correction of any existing problem and enhancement of the preventive measures based on the assessment results.

(V) Self Assessment Report on the Company's Internal control *(cont'd)***2. Five key elements of the Company's internal control** *(cont'd)***(1) Internal control environment** *(cont'd)***(6) Corporate culture, anti-fraudulent system and social responsibility of the Company** *(cont'd)*

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

The objective of the Internal risk control of the Company is to improve the corporate governance structure, formulate scientific and rational decision-making, implementation and supervision system and establish effective risk control system to strictly limit risks within the stipulated scope, so as to guarantee the fulfillment of the compliance and regulated operation requirements and to ensure that the Company's business objectives and business strategy are achieved; to ensure steady operation of daily business and that the legal rights of investors are not violated.

The Company conducted internal control risk assessment based on changes in both internal and external environment accurately identified and implemented control of internal and external risks of the target, as well as amending the internal control database and its related internal control documents to ensure the internal risk control measures can adapt to the changes.

The internal risk control of the Company formulated related risk control measures mainly for financial risk, operation risk, compliance risk, operational risk, risk of occupational ethics and staff turnover risk.

(3) Control activities

Together with the results of the risk assessment, the Company integrated the control measures based on the objectives of internal control to keep risk exposure within tolerance level. During the reporting period, internal controls on key business segments implemented by the Company include:

- ① Internal environment: development strategy, human resources, social responsibility and corporate culture
- ② Control activities: capital management, investment management, finance management, procurement and outsourcing, sales and collection, fixed assets, production management, inventory management, product development, technology development and financial reporting
- ③ Means of control: cost and expenses, budget management, information management, internal audit

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

(a) 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.

(V) Self Assessment Report on the Company's Internal control (cont'd)**2. Five key elements of the Company's internal control (cont'd)****(3) Control activities (cont'd)****a Accounting system control (cont'd)**

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.

b Control of authorization

During the reporting period, the Company further strengthened the authorization management system in accordance with the Articles of Association. 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 all contracts signed externally, the Company strictly complied with the requirement and process of legal authorization. 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.

c Control of separation of incompatible duties

During the reporting period, in order to prevent operation risk, financial risk and fraud, the Company developed a series of detailed positions and division of labour system in each department and area and amended the responsibilities of key positions.

d 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.

e 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.

f Budget control

The Budget Management System further improved 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 with minimum costs and expenses.

(V) Self Assessment Report on the Company's Internal control (cont'd)**2. Five key elements of the Company's internal control** (cont'd)**(3) Control activities** (cont'd)**f Budget control** (cont'd)

During the reporting period, 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.

g 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 based on the interim and 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, regulates the procedures, methods and requirements of internal supervision, and formulates the standards for internal audit and recognition of material defect, important defect and general defect.

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.

(V) Self Assessment Report on the Company's Internal control *(cont'd)***3. Implementation of internal control system****(1) Establish the Company's internal control system as required by the five commissions**

In April 2010, the five commissions issued the new "Guidelines on Internal Control" and the Company has carried out special trainings for our directors, supervisors and executives organized by the CSRC, internal trainings for financial and internal audit professionals organized by the controlling company, special training for our middle management and key personnel organized by the Company, so as to provide thorough and comprehensive understanding of the new internal control guidelines to our management teams at all levels.

During the reporting period, the Company actively implemented the internal control system, combined with the requirements of our annual tasks and supervised and inspected the rectification of the defects of each unit, the preparation, approval and implementation of our annual plans and the responsibilities of positions and authorized implementation involving risk control, so as to guarantee the effectiveness of the implementation of the internal control system.

(2) Actively establish the internal control system of the subsidiaries

During the reporting period, Shaanxi Beiren Printing Machinery Company Limited actively implemented and established the internal control system. It has completed the establishment and trial run of the internal control system through comprehensive training and process rationalization and achieved effective implementation of the internal control system within the subsidiaries.

4. Self assessment on the effectiveness of the implementation of the Company's internal control system during the year**(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, further strengthened 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, 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, which ensures the effectiveness of the continuous supervision of the Company's internal control system.

(3) Effect of the implementation of control system

Through the development and effective implementation of internal control system, the Company's risk management level was further enhanced and the Company's integrated competitiveness in complex business environment was increased substantially, laying a solid foundation for the Company's long term development. In the opinion of the Company's board of directors, 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 reduce operation risk, financial risk and compliance risk. Besides, the implementation of all relevant significant aspects related to the financial statement as at 31 December 2010 in accordance with the control system standard was deemed effective.

5. Relevant working plan for internal control in the coming year

- (1) To implement our internal control system on 1 January 2011 in accordance with the requirements of the five commissions.
- (2) To continue to deepen the special training from the "Guidelines on Internal Control", increase levels of training and create culture of internal control focusing on leadership, staff participation, risk-orientation and control.
- (3) To organize the assessment of internal control risks in accordance with the requirement of the internal control system and amend our internal control risk database and improve the internal control manual and related documents according to changing internal and external environment.
- (4) To further amend and refine the management process and system of the internal control system, implement the responsibilities of positions and risk control measures and guarantee the rectification of internal control defects.

(VI) 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 26th Meeting of the Sixth Board of Directors on 17 March 2011. 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

17 March 2011

(VII) Auditor's Auditing Opinion on the Board's Self Assessment Report on the Internal Control of the Company

Auditing Report on Internal Control

XYZH/2010A4005-1

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 2010 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 2010.

ShineWing Certified Public Accountants
PRC Certified Public Accountant: Huang Ying
PRC Certified Public Accountant: Ma Chuanjun
 Beijing, PRC
 17 March 2011

(VIII) Report on Performance of Social Responsibility by the Company

Report on social responsibility 2010

1. Overview of social responsibility

As the only "A+H" company in the printing machinery industry, 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 2010, 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 downturn 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, 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". The Company proactively participated in the community welfare activities, caring education sponsor activities etc to help contribute actively to the construction of a "harmonious society".

(VIII) Report on Performance of Social Responsibility by the Company *(cont'd)***2. Report on 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 end of 2010, 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 convened and held its general meetings in strict compliance with the requirements of the Company Law, the Listing Rules of Shanghai and Hong Kong Stock Exchange, the Articles of Association, 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 of Shanghai and Hong Kong Stock Exchange, 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 2010, 46 employees attaining technical qualifications were rewarded, including 5 senior technicians, 33 technicians and 8 senior workers. The formulation of the system has significantly increased the passion for learning and training of the front-line employees. The Company has sent 150 representatives to participate in the Beijing region selection contest for five job types in the 2010 National Professional Skill Contest, of which 44 and 6 representatives successfully entered the semi-finals and finals of the Beijing region respectively after going through the heats.
- (4) The Company has commenced the “Subsidised education in Beijing” program to help employees solving their actual problems. The Company has released subsidies to 61 employees whose children has entered universities.
- (5) The Company has well performed the works related to staff welfare and mutual aid insurance. As at the end of 2010, there were 501 person-times participating in renewal of female staff mutual aid insurance, major illness insurance, hospitalisation insurance; at the same time, there were 24 insurance claims and the company has provided reasonable compensation.

(VIII) Report on Performance of Social Responsibility by the Company (cont'd)**3. Interests of staff (cont'd)**

- (6) Implementation of cooling activities. Beijing was hot in July and the Company responded to the call of the labour union to extensively carry out a series of “get cool and ensure safety” activities since July. Organizations at all levels developed the cooling activities of all units, coordinated efforts and raised funds to provide cool beverages and refrigeration equipment to staff in production line who were fighting the heat to ensure their safety and health.
- (7) The Company organised rich and diversified cultural and sports activities to enrich its corporate culture. We developed our staff’s passion towards our country, the party and the Company through photography exhibition, mountain-climbing competition and karaoke contest. We also launched the “Culture Benefiting Corporates” activity and built staff bookshops during the year, and was awarded example of “staff bookshop” in Beijing by the labour union.

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 turnaround from the impact of the financial crisis on the market economy environment in the second half of 2010, 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) 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. We understand the real needs of customers from the perspective of service and fulfill their needs from the perspective of sales to achieve win-win situation..
- (3) Reinforcement of formulation of the quality enhancement and preventive management system to increase 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. We formulated supply chain system of product market with sustainable development based on the changes in downstream market.
- (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 蘇州日報社、江西日報社、北京新華印刷廠、內蒙古教育印刷廠、河北鵬盛賢印刷有限公司、安徽阜陽宏陽實業有限公司 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

The “Donation from members of the Communist Party” has continued in memory of the 89th anniversary of the establishment of the Communist Party in the PRC.

Before 1 July, we visited the outstanding party members, old party members and party members with difficulties to show our care and love. All staff members have donated in cash and in real for the victims in the debris disaster in Gansu Zhouqu.

Before the Chinese New Year, Beiren donated for aids in real and in cash for 305 model workers, retired officers, elder leaders and staff in economic difficulties.

Beiren strives to incessantly effort for the operation objectives of the year 2011 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.

Beiren Printing Machinery Holdings Limited
The Board of Directors
17 March 2011

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

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.

(X) Implementation of Management System for Insiders

During the reporting period, the Company established the “Reporting System for Insiders” based on the “Administrative Measures for Information Disclosure of Listed Companies” and strictly implemented the relevant requirements of insider management in accordance with the above requirements to prevent the disclosure of information and to ensure fair disclosure of information.

(XI) Establishment of the Management System for External Information Users

During the reporting period, the Company established the “Management System for Report and Use of External Information” based on the “Administrative Measures for Information Disclosure of Listed Companies” and strictly regulated the relevant information reported externally by the Company and relevant behaviors for use of our information by external information users in accordance with the above requirements to prevent the disclosure of information and to ensure fair disclosure of information.

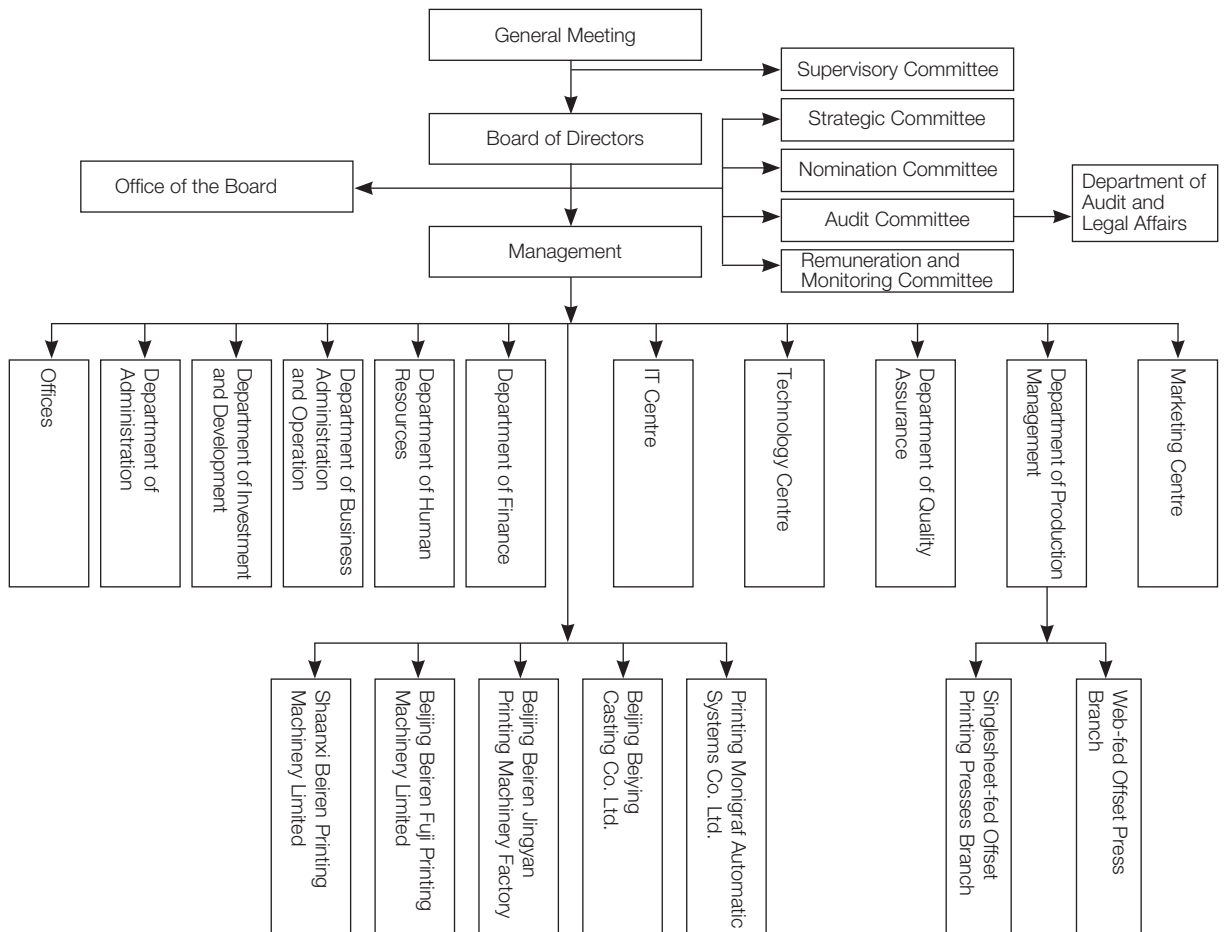
(XII) Corporate Governance Report

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:



(XII) Corporate Governance Report *(cont'd)***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	Former Chairman of the Board
Zhang Peiwu	Executive director and general manager
Yang Zhendong	Former executive director and deputy general manager
Duan Yuangang	Executive director and chief accountant

Non-executive director

Zhao Guorong	Chairman
Bai Fan	Former 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:

Mr. Yu Baogui has reached the retirement age and has resigned as director of the Company. As there is no right candidate, there has been no addition of directors. During the reporting period, Mr. Pang Liandong, Mr. Bai Fan and Mr. Yang Zhendong have also resigned as directors due to other duties. The Company will elect new directors at the 2010 Annual General Meeting.

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.

(XII) Corporate Governance Report (cont'd)**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	6	6	4	0	0	No
Bai Fan	No	9	8	6	1	0	No
Zhang Peiwu	No	12	12	7	0	0	No
Yang Zhendong	No	9	9	6	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	12	7	0	0	No
Wang Deyu	Yes	12	12	7	0	0	No

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.

(XII) Corporate Governance Report *(cont'd)***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.

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.

(XII) Corporate Governance Report *(cont'd)***7. Power of the Board of Directors and senior management** *(cont'd)***(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 two meetings. Details of which are as follows:

16 August 2010, meeting on research and development of high speed folding machines.

19 September 2010, meeting on research and development of small newspaper printing machines.

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

Name	attendance Description	Required Actual in 2010	attendance
Zhao Guorong (Chairman of the Board)	Chairman of the Committee	2	2
Zhang Peiwu (Executive director)	Member of the Committee	2	2
Yang Zhendong (Executive director)	Member of the Committee	2	2
Xu Wencai (Independent non-executive director)	Member of the Committee	2	2

(XII) Corporate Governance Report *(cont'd)*7. **Power of the Board of Directors and senior management** *(cont'd)*(2) **Work of the committees under the Board of Directors** *(cont'd)***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, five meetings of the Audit Committee of the Board were convened, details of which are as follows:

- (1) On 25 January 2010, 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 2009 financial report. The management of the Company reported the state of operation of the Company in 2009. The independent directors of the Company and the management of the Company communicated with the auditor on the preparation of the 2009 annual report.
- (2) On 11 March 2010, 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 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 internal control of the Company was considered and passed. (5) The writing-off of bad debts was considered and passed. (6) The impairment provided for 2009 was considered and passed. (7) The 2010 audit schedule was considered and passed. Resolution (1) to (6) above were submitted to the Board of Directors for consideration.
- (3) On 20 April 2010, the Audit Committee considered and approved the 2010 First Quarterly Report of the Company, which was submitted to the Board of Directors for consideration.
- (4) On 23 July 2010, the Audit Committee reviewed and approved the interim financial report 2010 of the Company. The Audit Committee reviewed the financial statements of the 2010 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 2010 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 2010 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 2010 and submitted it to the Board of Directors for consideration.
- (5) On 25 October 2010, the Audit Committee considered and approved the 2010 Third Quarterly Report of the Company. The Audit Committee agreed to submit it to the Board of Directors for consideration.

(XII) Corporate Governance Report *(cont'd)***7. Power of the Board of Directors and senior management** *(cont'd)***(2) Work of the committees under the Board of Directors** *(cont'd)***Work on 2010 Annual Report and communication with accounting firm**

- (1) On 25 January 2011, the management of the Company reported the operation of the Company for 2010 to the Audit Committee and the independent directors of the Company.
- (2) On 25 February 2010, the communicated with the Audit Committee and the independent directors of the Company for the annual auditing work for 2010. 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 2010 Annual Report.
- (3) On 14 March 2011, 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 2010 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 2010 and the operating results for 2010 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 2010 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 2011. (3) No profit distribution plan for the year 2010 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 the impairment provision of the Company for 2010 was considered and passed. (6) The proposal of writing-off the bad debts of the Company was considered and passed. (7) The plan of auditing work for 2011 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 2010	Actual attendance
Wang Deyu (Independent non-executive director)	Chairman of the Committee	5	5
Xie Bingguang (Independent non-executive director)	Member of the Committee	5	5
Bai Fan (Independent director)	Member of the Committee	4	4

Due to re-designation, Mr. Bai Fan resigned as member of the Nomination Committee on 21 September 2010.

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 11 March 2010, the Performance Assessment Contract for Senior Management for 2010 was considered and passed. The assessment results of the Performance Assessment Contract for Senior Management for 2009 was considered and passed.

On 29 July 2010, the amendment of the Performance Assessment Contract for Senior Management for 2010 was considered and passed.

In 2010, 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".

(XII) Corporate Governance Report (cont'd)7. **Power of the Board of Directors and senior management** (cont'd)(2) **Work of the committees under the Board of Directors** (cont'd)

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

Name	Description	Required attendance in 2010	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
Zhao Guorong (Chairman of the Board)	Member of the Committee	1	1
Pang Liandong (Former Chairman of the Board)	Member of the Committee	1	1

As Mr. Pang Liandong has reached the legal retirement age, he resigned as member of the Remuneration and Monitoring Committee on 2 June 2010. Mr. Zhao Guorong was added as member of the Remuneration and Monitoring Committee.

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 five meetings. Details of which are as follows:

On 26 February 2010, the change of Chairman of Beijing Beiren Jingyan Printing Machinery Factory was considered and passed. Recommendation of director was made to subsidiary Beijing Beiren Fuji Printing Machinery Co., Ltd..

On 1 June 2010, recommendation of candidate of Chairman, candidates of members of the Strategic Committee and candidates of member of the Remuneration and Monitoring Committee were made.

On 8 June 2010, recommendation of candidate of Chairman was made to associated company Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd. and recommendation of candidate of Chairman was made to associated company Beijing Beiyong Casting Co. Ltd..

On 12 August 2010, recommendation of candidate of Chairman was made to associated company Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd..

On 20 September 2010, recommendation of election of candidates of additional director and senior management was made to the Board of Directors. Recommendation of candidate of Chairman was made to associated company Beijing Beiyong Casting Co. Ltd..

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 2010	Actual attendance
Xu Wencai (Independent non-executive director)	Chairman of the Committee	5	5
Wang Hui (Independent non-executive director)	Member of the Committee	5	5
Bai Fan (Independent director)	Member of the Committee	5	5

Due to re-designation, Mr. Bai Fan resigned as member of the Nomination Committee on 21 September 2010.

(XII) Corporate Governance Report *(cont'd)*

- 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 2009 Annual General Meeting convened on 29 June 2010, 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 2010 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 2010, ShineWing Certified Public Accountants has provided audit services for the Company for 4 years, and SHINEWING (HK) CPA Limited has provided audit services for the Company for 4 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 2011 at the 2010 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.**

(I) Annual General Meeting

The 2009 Annual General Meeting was held at the Conference Room of the Company, Room 6206, on 29 June 2010. The proposals considered and approved were: (1) To consider and approve the transfer of the 100% equity interest in Beiren Yixin (Beijing) Technology Development Company Limited, a wholly-owned subsidiary of the Company, to Beiren Group Corporation and the entering into of an equity transfer agreement and the transactions contemplated thereunder; (2) To consider and approve the transfer of the property of the Company in Fatou, Beijing to Beiren Group Corporation and the entering into of an asset transfer agreement and the transactions contemplated thereunder; (3) To consider and approve the transfer of the facilities ancillary to the property of the Company in Fatou, Beijing to Beiren Group Corporation and the entering into of an asset transfer agreement and the transactions contemplated thereunder; (4) To consider and approve the payment of relocation compensation to Beijing Beiren Fuji Printing Machinery Company Limited, a subsidiary of the Company, by Beiren Group Corporation and the entering into of a relocation compensation agreement and the transactions contemplated thereunder; (5) To consider and approve the transfer of the BEIREN200 quarto four-color lithographic printing machines patented technology of the Company to Beiren Group Corporation and the entering into of a patented technology transfer agreement and the transactions contemplated thereunder; (6) To consider and approve the transfer of the receivables owing by Haimen Beiren Fuji Printing Machinery Company Limited to the Company to Beiren Group Corporation and the entering into of a receivables transfer agreement and the transactions contemplated thereunder; (7) To consider and approve the transfer of the inventory of the Company to Beiren Group Corporation and the entering into of an inventory transfer agreement and the transactions contemplated thereunder; (8) To consider and approve the transfer of 79.7% and 20.3% equity interest in Haimen Beiren Fuji Printing Machinery Company Limited, which is held by the Company and a subsidiary of the Company, Beijing Beiren Fuji Printing Machinery Company Limited respectively, to Beiren Group Corporation and the entering into of an equity transfer agreement and a supplemental agreement to the equity transfer agreement and the transactions contemplated thereunder; and (9) To authorise the directors of the Company to take such actions and execute such documents to effect the agreements as set out in the resolutions above (the "Agreements") and transactions contemplated under the Agreements and to sign or execute such other documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary or desirable for the purposes of giving effect to the Agreements. The announcement of resolutions passed at this meeting was published on Shanghai Securities News on 30 June 2010.

(II) Extraordinary General Meeting

The Company did not convene any Extraordinary General Meeting during the reporting period.



On 29 June 2010, the Company held the 2009 Annual General Meeting



Photo of the directors, supervisors and senior management of the Company

(I) Review

In 2010, China faced a complex and volatile domestic and overseas economic environment and continued to implement planning to deal with the impact of the international financial crisis. It has strengthened and improved the macro control and actively promoted the change in economic development and structural adjustment as the economy has recovered with good momentum. The overall investment in fixed assets also maintained steady growth. In the printing industry, packaging printing and commercial printing both recorded growth but due to the impact from the Internet and new media technology, traditional book printing and newspaper printing were on a downward trend. As a result, growth in the printing machine industry was slow and the competition has intensified. During the reporting period, the Company faced difficult situation both internally and externally and to weather through the crisis, we have taken decisive measures to actively implement adjustment of our product, enhance marketing capability, increase market share, reduce costs and expenses and streamline management. By adjusting the economies of scale, mobilising the inventories and transferring certain non-core businesses and assets, we have recorded profits. During the reporting period, operating income prepared in accordance with the PRC Accounting Standards was RMB821,357,700 and net profit was RMB22,279,400. Turnover prepared in accordance with Hong Kong Financial Reporting Standards was RMB800,024,000 and net profit was RMB30,231,000.

During the reporting period, the Company faced immense pressure of suspended trading. Under the leadership of the Board, we adopted measures to achieve the objectives of "Profit-making in general and reducing losses for principal businesses". Works mainly carried out are as follows:

1. Formulation of the "12-5" strategic planning for the development of the Company

In 2010, the macro economy has started to recover and competition has intensified for the market of printing machines. Under the adjustment and change of economy growth promoted by the government, the Company implemented the "12-5" strategy formulation based on the conclusion of the "11-5" strategy. The Company performed an analysis on the changes in external environment by ways of research and interview to assess the internal productivity and formulated the "12-5" strategic planning for the development of the Company to weather through the crisis.

2. Optimization and upgrading of product structures through innovation in technology and management

During the reporting period, the Company actively developed new products, enhanced market competitiveness and increased market shares with good progress. The newly developed N525 two-colour unit-type offset machine and N530 large two-sided single-colour offset machine have finished the production of a small batch and were launched in the market. The N500 folio double 4-colour and 5-colour offset machine were also on sale. The design for the sheet-coiling new book printing machine was completed and it has commenced trial production.

3. Adjustment of marketing strategy and respond to information of the market and customers in a timely manner

During the reporting period, the Company adjusted the marketing system and further refined the regions. It has established 11 offices, reduced the levels of management, accelerated our response to the market, improved the marketing system and enhanced the marketing capabilities.

4. Deepening of internal reform and strengthening of fundamental management works

Cost reduction and efficiency enhancement is one of the keys for winning in competition. Enhancing competitiveness by reducing cost is our major work during the reporting period. On one hand, we strengthened our financial management and plugged up loopholes with a comprehensive budget management system for resource procurement, price review and contract management. On the other hand, we adopted measures to reduce cost in design, technology, production and quality so as to enhance quality control and reduce loss in quality.



On 20 July 2010, the Company held the activation meeting for Beiren's "12-5" planning



Our Chairman Zhao Guorong, representing the board of directors, and the senior management of the Company signed the Contract of Senior Executives' Performance for 2010

(I) Review *(cont'd)***5. Adjustment of economies of scale and centralising premium resources to develop principal businesses**

During the reporting period, the Company faced extremely intense market environment and to weather through the crisis, we have taken decisive measures to transfer our non-core businesses and assets i.e. to transfer the equity interest, liabilities, assets and technology in relation with Quarto's business to Beiren Group Corporation (the "Group"). To mobilise the inventories and improve our business results, we transferred 100% equity interest in Yi Xin Company, our wholly-owned subsidiary, to the Group. To resolve the issue of "inconsistency between building and land" left behind from our special inspection, we transferred our properties and certain property-related ancillary equipment in Fatou of Beijing to the Group; and the Group has given compensation for relocation to Beiren Fuji, a subsidiary of the Company. As at the end of the reporting period, the funding for our non-core businesses and asset transfer was in place. It is beneficial to the improvement of our business results, enhancement of the quality and efficiency of our asset operation and increase of our cashflow, so as to facilitate better development of our principal businesses.

6. Increase of control over subsidiaries with the introduction of advanced management model

During the reporting period, the Company required its subsidiaries to formulate planning for the implementation of internal control systems and improved the internal control system. It created a newer and better management platform for the subsidiaries and provided a good foundation for the reduction of operation risk and enhancement of quality of business.

(II) Prospects

In 2011, with the emergence of new media and technology and increase in awareness of environmental-friendly printing materials in the PRC, a new industrial revolution will be driven in the printing technology and equipment domain. By looking at the market segments, the newspaper industry will have diversified development and the printing volume of newspaper will remained relatively stable. After the end of the rapid growth in book printing due to policy changes in 2006 and 2007, the under-utilisation of production capacity has gradually surfaced, which led to no significant growth in demand for book printing equipment. As the central government adjusts the economic structure and implements measures such as the promotion of consumption, the market for commercial and packaging printing machines will maintain growth of more than 10%, which will bring good opportunities for the transformation of our products. From the macroeconomic perspective of the coming year, the market is subject to inflation pressure and increases in energy resource and raw material prices. Faced with the impact from the external environment, the Company will adopt active measures in accordance with the requirement of the "12-5" strategy to lay the foundation for its objectives.

Key work of the Company in 2011**1. Promotion of and adherence to the "12-5" strategy with active implementation**

We organised and promoted the "12-5" strategy and facilitated our staff's in-depth understanding of the essence of the strategy. We tracked the objectives of the strategy and the implementation of its responding measures. We looked for integration opportunities in new technology, products and services to guarantee the implementation and progress in achieving our overall strategic objectives.

2. Adherence to technology innovation, accelerated adjustment of product structure and continued enhancement of product competitiveness

We continued to strengthen the development of new products based on the adjustment of product structure and integrated the multi-colour machine series with the guidance of the "industrialisation of digital folio double flat paper offset machine" project. We optimised the technology line and guaranteed the consistency of its quality. We promoted the IPD project management and enhanced the efficiency of research and development.



The Activation Meeting for the Implementation of the Internal Control System of the Company



Mr. Zhao Guorong, Chairman of the Company

(II) Prospects *(cont'd)*

3. **Strengthening of marketing channel management, improvement of the service system, strengthening of market information management and enhancement of planning completion**

We improved the marketing and service management in sales, implemented management system with independent operation, enhanced level of service and achieved valued-added services. Meanwhile, we strengthened market information management, accurately assessed market demand and provided reasonable demand in inventories and product supplies for technology and production to match the planning for sales, production and capital.

4. **Adaptation to adjustments in product structure, changes in concept and organisation of production management and enhancement of productivity**

We strengthened the market awareness and established management concept with market as the centre, customers as the focus and provision of marketing resource as the main line. We adjusted the organisation of production and accelerated the capital flows.

5. **Strengthening of capital management, reduction of capital occupied and enhancement of efficiency in use of capital**

We balanced production and sales, ensured smooth connection between them and achieved healthy flow of capital. We strengthened capital management, significantly reduced the capital occupied by inventories and account receivables, improved the situation of high in inventories, account receivables and cost and low in revenue and enhanced the efficiency in use of capital.

6. **Further strengthening of fundamental management and enhancement of quality of our operation**

(1) To strengthen the analysis and control of the budget and assess the budgets of cost and expense, production, sales revenue and collection. (2) To improve the quality system, strictly follow quality standards, implement quality responsibilities and enhance quality of products. (3) To ensure smooth implementation of the internal control system, the Company will re-locate the risk points, complete the related internal control system, implement internal control and supervise and inspect the implementation of the internal control system of the subsidiaries.

On behalf of the Board of Directors

Zhao Guorong
Chairman

17 March 2011

(I) The Company's Operation During the Reporting Period

1. Scope and status of principal businesses

(1) Scope of principal businesses during the reporting period

Development, design, production, sale of printing presses, pressing machines, packing machines, business forms printing presses, commercial revolving presses, commercial soft cover presses, intaglio presses, the parts and components for the aforesaid machines; technical consultancy, technical support; own export and export of member enterprises' self-produced products and technology; import of raw and auxiliary materials, instruments and meters, machines, parts and components and technology (except products restricted by the State from operating by enterprises and those restricted for import and export) for production of own enterprise and member enterprises; processing on customer-supplied materials and "processing raw materials on clients' demands, assembling parts for clients and processing according to clients' samples or compensation trade"; 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 RMB821,357,700, representing an increase of 6.99% compared with the previous year during the reporting period. Net profit was RMB22,279,400, representing an increase of 112.80% compared with the previous year. Profit per share was RMB0.05. In accordance with the Hong Kong accounting standard, turnover amounted to RMB800,024,000 representing an increase of 6.90% from the previous year. Net profit amounted to RMB30,231,000, representing an increase of 117.41% over last year. profit per share was RMB0.072.

(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	431,053,389.36	378,251,455.31	-7.38	-3.91	-11.10	Increase 27.12 percent
Intrusion printers series	299,370,754.59	226,786,556.05	1.64	28.24	18.73	Increase 8.76 percent
Form presses series	44,799,531.00	40,306,447.44	-18.15	67.88	59.03	Increase 2.86 percent
Total	775,223,674.95	645,344,458.80	-4.52	9.39	0.54	Increase 20.45 percent



On 19 May 2010, the "2010 Gathering between Beiren and 45A Customer People's Daily and Product Exhibition" was held in Beijing

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

(2) Principal businesses by geographical location

Unit: RMB

Geographical location	Operating income	Increase/decrease in operating income compared over last year (%)
Domestic	738,685,885.23	9.89
Overseas	36,537,789.72	0.08
Total	775,223,671.95	9.39

(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	80,247,540.28	-12,783,306.79
Beijing Beiren Jingyan Printing Machine Factory	Parts for printing presses	Paper -feeding machine	21,050,000.00	21,101,269.53	-4,799,665.08
Shaanxi Beiren Printing Machinery Limited	Manufacture of printing presses	Intaglio presses	115,000,000.00	322,055,454.44	7,541,820.63

(4) Information on major suppliers

Unit: RMB

Total procurement from the top five suppliers	4,547.40	Percentage accounting for total procurement	10.32%
Total sales from the top five customers	9,129.48	Percentage accounting for total sales	11.11%



In July 2010, the Company and 安徽省阜阳市宏洋實業有限公司 held the signing ceremony for the BEIREN300A folio double 5-colour offset machine



On 2 June 2010, the 2010 Beijing International Packaging Fair was held in Beijing and Beiren's demonstration is shown in the picture

(IV) The Company's Future Development Prospects

(1) Operating Plan for New Year

In 2011, the Company will strengthen the adjustment of product structure, accelerate the launch of new products, enhance budget management and strictly control costs and expenses. We will outsource certain non-core businesses to reduce related costs and expenses, enhance the management of the production system, establish supply chain, adjust the technology development, shorten the production cycle to adapt to market changes and fulfill market demand. Sales revenue is expected to be RMB860,600,000, with profit in principal businesses.

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

(3) The invested budget of technical improvement in 2011 is RMB57,320,000, in which the invested budget of new equipment projects is RMB8,302,000, equipment renewal projects is RMB19,102,000, equipment transformation projects is RMB8,310,000, equipment special projects is RMB100,000, corporate information projects is RMB336,000 and technical improvement projects of our subsidiary Shaanxi Beiren Printing Machinery Company Limited is RMB21,170,000. The purpose for the above investment in technical improvement projects is to boost productivity and improve level of processing.

(V) The Company's Investment

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.

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

1. Operating results (prepared under PRC accounting standards)

In 2010, total profit of the Company increased by RMB204,969,500 or 113.87% as compared with the same period last year.

- (1) Operating income increased by 6.99% while operating cost decreased by 2.99% as compared with last year. Gross profit margin for the year was 17.73% while gross profit margin for last year was 9.26%. The increase in gross profit margin was due to the increase in operating income and production volume as a result of market recovery, so that amortisation of fixed cost was relatively low.
- (2) Business tax and surcharge decreased by 5.49% over last year mainly due to decrease in operating income; expenditure for the period increased by 3.27% over last year mainly due to increase in operating income and selling costs; loss in impairment of assets increased by 110.4% over last year mainly due to increase of bad debts provision and provision for diminution in value of inventory; investment revenue increased by 13,668.33% over last year mainly due to the transfer of subsidiaries.
- (3) Net non-operating income increased by 42.35% over last year, mainly attributable to the increase in disposal of fixed assets.

2. Analysis of assets, liabilities and equity interests

Total assets value amounted to RMB1,457,360,700 during the reporting period, decreased by 16.14% as compared with the beginning of the year, of which inventory, accounts receivable, other receivables decreased substantially. Total liabilities amounted to RMB696,247,900, decreased by 29.99% as compared with the beginning of the year, mainly due to a significant decrease in short term loans and accounts payable. Total equity interest attributable to shareholders amounted to RMB761,112,800, increased by 2.4% as compared with the beginning of the year.

(VII) Analysis of Financial Status and Business Performance During the Reporting Period *(cont'd)*

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

	2010	2009
(1)Assets-liabilities ratio	47.77 %	57.23%
(2)Quick ratio	59.91 %	45.94%
(3)Liquidity ratio	112.85 %	97.00%

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 RMB139,750,000, decreased by 55.61% as compared with the beginning of the year. Long-term loan was RMB18,000,000, decreased by 25% 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 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 RMB756,830,000, while cash outflow amounted to RMB750,312,600. Net cash flow during the reporting period from operating activities amounted to RMB6,517,400.

2. Cash flows from investment activities

Cash inflow from investment activities during the reporting period amounted to RMB210,167,500 which was mainly attributable to the disposal of fixed assets and recovery of subsidiaries. Cash outflow to investment activities amounted to RMB21,631,100, which was mainly used for capital expense on capital increase in subsidiaries and purchase 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 RMB188,536,400.

3. Cash flows from fund-raising activities

Cash inflow from fund-raising activities during the reporting period amounted to RMB319,250,000, which was mainly derived from bank loans. Cash outflow from fundraising activities during the reporting period amounted to RMB515,618,900 was mainly for repayment of bank loans and interest. Net cash flow from fund-raising activities for the reporting period amounted to RMB-196,368,900.

(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 RMB761,112,800; of which, minority interests amounted to RMB16,113,400; and total liabilities amounted to RMB696,247,900. Total assets amounted to RMB1,457,360,700. As at the end of the year, the Company's gearing ratio was 47.77%.

Capital structure by liquidity

Total current liabilities	RMB660,377,200	Accounting for 45.31% of the capital
Total equity interest	RMB761,112,800	Accounting for 52.23% of the capital
of which: minorities interest	RMB16,113,400	Accounting for 1.11% 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)

- (1) Bills receivable increased by 111.96% compared with the beginning of the year, mainly due to the increase in bank acceptance bill received by the Company.
- (2) Accounts receivable decreased by 20.4% compared with the beginning of the year, mainly due to the increase in efforts in the collection of debts by the Company.
- (3) Other receivables decreased by 39.78% compared with the beginning of the year, mainly due to the decrease in other receivables as a result of transfer of equity interests in subsidiaries.
- (4) Inventories decreased by 28.55% 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.
- (5) Investment properties decreased by 53.96% compared with the beginning of the year mainly due to the transfer of building originally leased to the subsidiary Beijing Beiren Fuji Printing Machinery Limited.
- (6) Deferred income tax assets decreased by 66.74% compared with the beginning of the year mainly due to the reversal of deferred income tax assets.
- (7) Short-term loan decreased by 55.61% compared with the beginning of the year, mainly due to the early repayment of bank borrowings as there is sufficient fund for the year.
- (8) Accounts payable decreased by 21.25% compared with the beginning of the year, mainly due to earlier payment for increased production support as a result of increase in production volume.
- (9) Tax payable decreased by 42.56% compared with the beginning of the year, mainly due to the decrease in outstanding account of tax payable.
- (10) Interest payable decreased by 87.83% compared with the beginning of the year mainly due to the decrease in bank borrowings.
- (11) Non-current liabilities due within one year decreased by 100.00% compared with the beginning of the year mainly due to the decrease in non-current liabilities as a result of transfer of equity interests in subsidiaries.
- (12) Impairment loss on assets increased by 110.4% compared with the same period of last year, mainly due to increase of bad debts provision and provision for diminution in value of inventory.
- (13) Investment revenue increased by 13,668.33% compared with the same period of last year, mainly due to the disposal of equity interest in subsidiaries Beiren Yi Xin Company and Haimen Beiren Fuji Company.
- (14) Non-operating income increased by 42.35% compared with the same period of last year, mainly attributable to the increase in disposal of fixed assets.

(I) Details of Board Meetings and Resolutions

During the reporting period, a total of 12 board meetings were convened and the details of the meetings and resolutions are as follows:

- (1) The Seventeenth Meeting of the Sixth Board was convened on 12 January 2010. The resolution in respect of the application for bank loan and facility was considered and approved.
- (2) The Eighteenth Meeting of the Sixth Board was convened on 18 March 2010. 1. The 2009 Annual Report of the Company and its summary were considered and approved. 2. The 2009 Work Report of the Board of the Company was considered and approved. 3. The 2009 Audited Financial Statements of the Company were considered and approved. 4. The 2009 Internal Control Report of the Company was considered and approved. 5. The 2009 Social Responsibility Report of the Company was considered and approved. 6. The resolution in respect of the payment for the audit fee for 2009 to ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited was considered and approved. 7. The proposal of the Audit Committee of the Board of Directors on 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 2010 was considered and approved, and to be submitted to the annual general meeting to authorise the Board to enter into engagement agreements with them and determine their remunerations. 8. The proposal of the Company not to distribute any profit for the year 2009 was considered and approved. 9. The resolution in respect of provision for impairment of the Company for the year 2009 was considered and approved. 10. Resolution in respect of writing off bad debts of the Company was considered and approved. 11. The resolution in respect of the application for banking facility and loan by the Company in 2010 was considered and approved. 12. The 2010 Technological Reform Plan of the Company was considered and approved. 13. The "Responsibility System for Major Errors in Information Disclosure in Annual Reports" of the Company was considered and approved. 14. The "Registration System of Internal Information Receivers" of the Company was considered and approved. 15. The "Management System of External Information Users" of the Company was considered and approved. 16. The resolution in respect of the application to the Shanghai Stock Exchange for the treatment of delisting risk warning on the A shares of the Company was considered and approved. 17. The 2009 debriefing report of members of the senior management of the Company was considered and approved. 18. The 2009 performance evaluation on members of the senior management by the Remuneration and Monitoring Committee of the Company was considered and approved. 19. The 2010 Budget Report of the Company was considered and approved. 20. The resolution in respect of changing the directors of subsidiaries was considered and approved. The resolutions were published on Shanghai Securities News, on 19 March 2010.
- (3) The Nineteenth Meeting of the Sixth Board was convened on 27 April 2010. 1. The 2010 First Quarterly Report of the Company was considered and approved. 2. The resolutions on entering into the continuing connected transactions agreements between the Company and its associated companies. The resolutions were published on Shanghai Securities News on 28 April 2010.
- (4) The Twentieth Meeting of the Sixth Board was convened on 5 May 2010. The commencement of transfer of assets was considered and approved.
- (5) The Twenty-first Meeting of the Sixth Board was convened on 13 May 2010. The resolution of convening the 2009 annual general meeting on 29 June 2010 was considered and approved. The resolution was published on Shanghai Securities News on 14 May 2010.
- (6) The Fourth Extraordinary Meeting of the Sixth Board was convened on 2 June 2010. 1. The resolution in relation to the resignation of Mr. Pang Liandong as director and chairman of the Company was considered and approved. 2. The resolution in relation to the election of Mr. Zhao Guorong as chairman of the Sixth Board of Directors of the Company was considered and approved. 3. The resolution in relation to the election of Mr. Zhao Guorong as chairman of Strategic Committee and member of Remuneration and Monitoring Committee of the Sixth Board of Directors of the Company was considered and approved. 4. The resolution in relation to the transfer of the equity in Beiren Yixin (Beijing) Technology Development Company Limited, a wholly-owned subsidiary of the Company, to Beiren Group Corporation and the entering into of an equity transfer agreement with it was considered and approved. 5. The resolution in relation to the transfer of the property of the Company in Fatou, Beijing and the entering into of an asset transfer agreement with it was considered and approved. 6. The resolution in relation to the transfer of the facilities ancillary to the property of the Company and the entering into of an asset transfer agreement with it was considered and passed. 7. The resolution in relation to the payment of relocation compensation to Beijing Beiren Fuji Printing Machinery Company Limited, a controlling subsidiary of the Company, by Beiren Group Corporation and the entering into of a relocation compensation agreement with it was considered and passed. 8. The resolution in relation to the transfer of the patented technology of the Company to Beiren Group Corporation and the entering into of a patented technology transfer contract with it was considered and passed. 9. The resolution in relation to the transfer of the receivables of the Company to Beiren Group Corporation and the entering into of a receivables transfer agreement with it was considered and passed. 10. The resolution in relation to the transfer of the inventory of the Company to Beiren Group Corporation and the entering into of an inventory transfer agreement with it was considered and passed. 11. The resolution in relation to the transfer of 79.7% and 20.3% equity interests in Haimen Beiren Fuji Printing Machinery Company Limited held by the Company and Beijing Beiren Fuji Printing Machinery Company Limited, a subsidiary of the Company, respectively to Beiren Group Corporation and the entering into of an equity transfer agreement with it was considered and passed. 12. The resolution in relation to the continuous proportionate provision of one-year loan guarantee in the amount of RMB10.5 million to Beijing Beiren Fuji Printing Machinery Company Limited ("Beiren Fuji Company") was considered and passed. 13. The resolution in relation to the increase of budget for the appointment of related intermediary for the disposal of assets. The resolutions were published on Shanghai Securities News on 3 June 2010.

(I) Details of Board Meetings and Resolutions *(cont'd)*

- (7) The Twenty-second Meeting of the Sixth Board was convened on 9 June 2010. 1. As Mr. Pang Liandong has reached the legal retirement age, he resigned as Chairman of Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd. and Beijing Beiyong Casting Co. Ltd.. After the recommendation made by the Nomination Committee of the Board of Directors of the Company, the Board of Directors decided: to appoint Mr. Zhao Guorong as director and Chairman of Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd. and Beijing Beiyong Casting Co. Ltd. to exercise the shareholder's interests on behalf of the Company. 2. The signing of the Supplementary Agreement of the Share Transfer Agreement of Haimen Beiren Fuji Printing Machinery Co., Ltd. with Beiren Group Corporation was considered and approved.
- (8) The Twenty-third Meeting of the Sixth Board was convened on 29 July 2010. 1. The 2010 Interim Report of the Company and its summary was considered and approved. 2. The resolution in relation to the provision for impairment of the Company for the half year of 2010 was considered and approved. 3. The Performance Assessment Contract for Senior Management for 2010 of the Company was considered and approved, and the Chairman of the Board and senior management were authorized to sign the contract. The resolutions were published on Shanghai Securities News on 30 July 2010.
- (9) The Twenty-fourth Meeting of the Sixth Board was convened on 16 August 2010. 1. Due to the business connection with the associated company Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd., Mr. Zhao Guorong resigned as Chairman of Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.. After the recommendation made by the Nomination Committee of the Board of Directors of the Company, the Board of Directors decided: to appoint Mr. Kong Dagang as director and Chairman of Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd. to exercise the shareholder's interests on behalf of the Company. 2. The resolution in relation to the research and development of high speed paper feeder was considered and approved and the Board of Directors requested the Management to manage and assess this project.
- (10) The Fifth Extraordinary Meeting of the Sixth Board was convened on 21 September 2010. 1. The resolution in respect of the joint research, development and production of the Beiren 70A high speed small tower newspaper printing machines with Senken Graphics Inc. (Japan) was considered and approved. 2. The resolution in respect of the increase of budget for the research, development and production of the Beiren 70A high speed small tower newspaper printing machines was considered and approved. 3. The authorization of Mr. Kong Dagang was considered and approved. 4. The resolution in respect of provision of entrusted loan to subsidiary Shaanxi Beiren Printing Machinery Co. Ltd. was considered and approved. 5. The resolution in respect of the change of director and Chairman of Beijing Beiyong Casting Co. Ltd. was considered and approved. 6. The resolution in respect of the resignations of directors of the Company was considered and approved. 7. The resolution in relation to the appointment of Mr. Liao Xiansheng as Non-executive Director candidate of the Company was considered and approved. 8. The resolution in relation to the remuneration of new director candidate and the signing of written contract was considered and approved. 9. The resolution in relation to the resignation of Deputy General Managers of the Company was considered and approved. 10. The resolution in relation to the appointment of senior management of the Company was considered and approved. The resolutions were published on Shanghai Securities News on 27 September 2010.
- (11) The Twenty-fifth Meeting of the Sixth Board was convened on 28 October 2010. The 2010 Third Quarterly Report of the Company was considered and approved.
- (12) The Sixth Extraordinary Meeting of the Sixth Board was convened on 25 November 2010. 1. The establishment plan of an internal management organisation of the Company was considered and approved. 2. The resolution in relation to the change of the authorised representative of the Company in Hong Kong was considered and approved. 3. The amendments to the Procedural Rules of the Meetings of the Board were considered and approved. The resolutions were published on Shanghai Securities News on 27 November 2010 and 8 December 2010 respectively.

(II) Implementation of resolutions of General Meetings by the Board of Directors

During the reporting period, the Company held the 2009 Annual 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.

(III) Profit Distribution Plan or Plan to Convert Surplus Reserves into Share Capital

According to the PRC accounting standards, the Company realized a net profit of RMB22,279,400 during the reporting period; the undistributed profit was RMB-243,051,100 at the end of the year. According to Hong Kong Financial Reporting Standards, the Company realized a net profit attributable to the owners of RMB30,231,000 during the reporting period. Due to the negative undistributed profit recorded during the reporting period, the Company did not recommend to distribute profit or to transfer capital reserve to share capital for 2010 as the profit to be distributed to shareholders would be small.

(IV) 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 shareholders of the listed companies in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to the shareholders of the listed companies in the consolidated financial statement (%)
2007	0	9,278,498.87	0
2008	0	-263,141,611.27	0
2009	0	-174,004,582.85	0

(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 2010 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 2010, a total of RMB20,724,800 was contributed to the Employee Retirement Insurance Scheme. Apart from the said contribution, the Company has no other commitments or liabilities related to pensions.

(XIII) Connected Transactions

- (1) Please refer to the notes to the 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 2010 to be held in May 2011.

(I) Details of the Meetings of the Supervisory Committee and the Resolutions

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

1. The Tenth Meeting of the Sixth Supervisory Committee of the Company was held at the Conference Room of the Company on 18 March 2010. Details of the meetings are as follows:
 - (1) The 2009 Supervisory Committee's Work Report was considered and approved, and was proposed to the 2009 annual general meeting for consideration.
 - (2) The 2009 Annual Report of the Company and its summary were considered and approved.
 - (3) The 2009 audited Financial Statement was considered and approved.
 - (4) No profit distribution plan of the Company for 2009 was considered and approved.
 - (5) Proposal of provision for impairment on assets of the Company for the year 2009 was considered and approved.
 - (6) The 2009 Internal Control Report of the Company was considered and approved.
 - (7) The 2009 Social Responsibility Report was considered and approved.
2. The Eleventh Meeting of the Sixth Supervisory Committee of the Company was held at the Conference Room of the Company on 27 April 2010. Major details of the meetings are: the 2010 First Quarterly Report of the Company was considered and approved.
3. The Twelveth Meeting of the Sixth Supervisory Committee of the Company was held at the Conference Room of the Company on 29 July 2010. Major details of the meetings are:
 - (1) The 2010 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 2010 was considered and approved;
4. The Thirteenth Meeting of the Sixth Supervisory Committee of the Company was held at the Conference Room of the Company on 28 October 2010. Major details of the meetings are: the 2010 Third Quarterly Report of the Company was considered and approved.
5. The Fourteenth Meeting of the Sixth Supervisory Committee of the Company was held at the Conference Room of the Company on 25 November 2010. Major details of the meetings are: the amendments to the Procedural Rules of the Meetings of the Supervisory Committee were considered and approved, and submitted to the general meeting for consideration.

(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 2010 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

During the reporting period, the Company completed the transfer of non-core assets to subordinate shareholder Beiren Group Corporation, which is a material connected transaction. The connected transaction strictly complied with the procedures of relevant requirements of the Company Law and Articles of Association of the Company and the terms of it are fair and reasonable. It was entered into on normal commercial terms and in the interests of the Company and the shareholders as a whole. The transaction price is objective and fair without harming the interests of the Company and non-connected shareholders and minority shareholders. The decision is in line with our development strategy and development needs in production and operation.

(VI) Opinion of the Supervisory Committee on Connected Transactions of the Company

The Company had no material connected transactions during the reporting period (see (4) Independent Opinion of the Supervisory Committee on Acquisition and Disposal of Assets of the Company).

(VII) Review of the Supervisory Committee on the Self Assessment Report on Internal Control

The Supervisory Committee has reviewed the self assessment report on internal control of Beiren Printing Machinery Holdings Limited and considers that the internal control system of the Company is complete with effective implementation from 1 January 2010 to the end of the reporting period. The report objectively and fairly reflects the internal control of the Company and there is no disagreement on the assessment report.

On behalf of the Supervisory Committee
Wang Liansheng
Chairman of the Supervisory Committee

17 March 2011

(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: RMB0'000

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	Profit or loss arising from disposal of 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
Beiren Group Corporation	Beiren Yi Xin (Beijing) Technical Development Co., Ltd.	31 October 2010	17,637.04	25.85	15,701.02	Yes	Agreed price	Yes	Yes	704.73	Parent company
Beijing Offset Point Factory	Beijing Beiren Yuxin Offset Printing Co., Ltd.	31 January 2010	35.00	-0.11	30.96	Yes	Agreed price	Yes	Yes	1.39	
Beiren Group Corporation	Beijing Beiren Fuji Printing Machinery Co., Ltd.	30 September 2010	2,312.93	261.89	1,450.94	Yes	Agreed price	Yes	Yes	65.12	Parent company

(V) Material Connected Transactions of the Company 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	Grant of rights of use including patents and trademarks	Trademark usage fee	Agreed price		4,146,453.94	100.00	Currency transaction		
Beiren Group Corporation	Parent company	Other outflows	Land use right fee	Agreed price		850,000.00	100.00	Currency transaction		
Beijing Monigraf Automations Company Limited	Associated company	Purchase of goods	Purchase of goods	Agreed price		11,522,473.14	7.68	Currency transaction		
Beijing Beiyong Casting Company Limited	Associated company	Purchase of goods	Purchase of goods	Agreed price		20,368,769.36	13.58	Currency transaction		
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Associated company	Purchase of goods	Purchase of goods	Agreed price		2,832,527.06	1.89	Currency transaction		
Beiren Group Corporation	Parent company	Sale of goods	Sale of goods	Agreed price		230,615.33	0.01	Currency transaction		
Beiren Group Corporation	Parent company	Other utility fees such as water, electricity and gas fees (sale)	Sale of water and electricity	Agreed price		138,811.91	11.57	Currency transaction		
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Associated company	Other utility fees such as water, electricity and gas fees (sale)	Sale of water and electricity	Agreed price		498,213.15	41.52	Currency transaction		

2. Connected transaction as a result of acquisition and disposal of assets

Unit: RMB

Connected parties	Connection	Type of connected transactions	Subject of connected transactions	Pricing basis of connected transactions	Book value of transferred assets	Appraised value of transferred assets	Transfer price	Reasons for material difference between transfer price and book value or appraised value	Settlement of connected transactions	Gain from transfer of assets
Beiren Group Corporation	Parent company	Share transfer	Share transfer-equity interest of Haimen	Agreed	1,153.98	2,312.93	2,312.93		Currency transaction	1,450.94
Beiren Group Corporation	Parent company	Share transfer	Share transfer-equity interest of Yi Xin	Agreed	2,234.27	17,637.04	17,637.04		Currency transaction	136.92
Beiren Group Corporation	Parent company	Sale of assets other than goods	Transfer of property	Agreed	1,036.71	1,149.05	1,149.05		Currency transaction	134.17
Beiren Group Corporation	Parent company	Sale of assets other than goods	Transfer of equipment	Agreed	222.23	315.90	315.90		Currency transaction	98.51
Beiren Group Corporation	Parent company	Sale of assets other than goods	Transfer of special technology	Agreed	0	218.01	218.01		Currency transaction	218.01
Beiren Group Corporation	Parent company	Sale of assets other than goods	Compensation for relocation	Agreed	1,074.69	1,074.69	1,074.69		Currency transaction	0
Beiren Group Corporation	Parent company		Transfer of inventories	Agreed	1,512.32	1,828.65	1,828.65		Currency transaction	482.91
Beiren Group Corporation	Parent company	Sale of assets other than goods	Transfer of debt	Agreed	1,998.38	1,998.38	1,998.38		Currency transaction	0

(V) Material Connected Transactions of the Company During the Reporting Period *(cont'd)*

3. 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
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Associated company	1,575,221.45	1,793,559.08	-27,215,091.36	20,651,316.66
Beijing Monigraf Automations Company Limited	Associated company	-222,399.40	150,993.00	-2,235,416.85	3,470,983.15
Haimen Beiren Fuji Printing Machinery Company Limited	Controlling subsidiary of the parent company	378,729.71	378,729.71		
Beijing Beiyong Casting Company Limited	Associated company	-99,517.45	0	1,092,446.79	2,000,000.00
Beiren Group Corporation	Parent company	1,629,191.08	1,629,191.08	-14,391,840.95	1,247,319.56
Incurred amount of the capital provided to the controlling shareholders and their subsidiaries by the Company during the reporting period (RMB)					2,007,920.79
Balance of the capital provided to the controlling shareholders and their subsidiaries by the Company (RMB)					2,007,920.79
Reason for the connected debts and liabilities	Other receivables				
Settlement of connected debts and liabilities	The amount receivable from Beiren Group Corporation during the year is the other receivable. The amount payable of RMB1,247,319.56 from the Group to Beiren Group Corporation is audited in other payables. After offsetting, the amount receivable from Beiren Group Corporation is RMB381,871.52, which was paid in 2011				

(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**

Unit: RMB

Lessor	Lessee	Leased Assets	Amount of leased assets	Start date of the lease	End date of the lease	Gain from the lease	Basis of gain from the lease	Impact of gain from the lease on the Company	Connected Transaction	Connection
Beiren Printing Machinery Holdings Limited	Beijing Beiyong Casting Company Limited	Land, Housing	78,552,043.17	1 January 2010	31 December 2010	4,407,064.68	Agreed price	This connected transaction does not damage the interests of the Company and the non-connected shareholders	Yes	Associated company

(VI) Material Contracts and their Performance (cont'd)**2. Guarantees**

Unit: RMB

Guarantees provided to external parties by the Company (excluding guarantee provided to the controlling subsidiaries)	
Total amount of guarantee provided during the reporting period	-
Total amount of outstanding guarantee as at the end of the reporting period	-
Guarantees provided to the controlling subsidiaries by the Company	
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
Total amount of guarantee granted by the Company (including guarantee provided to the controlling subsidiaries)	
Total amount of guarantee	1,000
Proportion of the total amount of guarantee to the net assets of the Company	1.31%
Including:	
Amount of guarantee provided for Shareholders, beneficial controllers and their connected parties	0
Amount of debt guarantee provided, either directly or indirectly, for guaranteed parties whose gear ratio is larger than 70%	0
Excess of total amount of guarantee over 50% of net assets	0
Excess of total amount of guarantee over 50% of net assets	0

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

Whether to appoint another accounting firm	No
	Current appointment
Name of domestic accounting firm	ShineWing Certified Public Accountants
Remuneration of domestic accounting firm	RMB900,000
Term of audit of domestic accounting firm	4 years
Name of overseas accounting firm	SHINEWING (HK) CPA Limited
Remuneration of overseas accounting firm	RMB250,000
Term of audit of overseas accounting firm	4 years

(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) Is the Company on the List of Seriously Polluting Companies Announced by the Environmental Protection Department: No

(XI) Notes on Other Material Events

1. **Receipt of government subsidies**
The Company had received product research and development fees, subsidies for employment stability and social insurance subsidies amounting to RMB8,705,500 from the government.
2. **Disposal of subsidiaries during the reporting period**
During the reporting period, the subsidiary of the Company Beijing Beiren Yuxin Offset Printing Co., Ltd. was disposed, and relevant procedures were finished. The relevant procedures of the transfer of equity interest in subsidiaries Beiren Yi Xin (Beijing) Technical Development Co., Ltd. and Haimen Beiren Fuji Printing Machinery Co., Ltd. to subordinate shareholder Beiren Group Corporation were also finished.
3. **Changes in scope of consolidation during the reporting period compared to the previous annual report are as follows:**
As compared with the previous published annual report, the subsidiaries of the Company Beijing Beiren Yuxin Offset Printing Co., Ltd., Beiren Yi Xin (Beijing) Technical Development Co., Ltd. and Haimen Beiren Fuji Printing Machinery Co., Ltd. were excluded from the scope of consolidation during the reporting period due to their disposals. Save for this, there were no other changes.
4. **Income tax**
The applicable enterprise income tax rate for the Company is 25%.
5. **Audit of financial report for the reporting period by the audit committee**
The 2010 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 2010.
8. **During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.**

(XII) Access to Discloseable Information

Events	Name and page of publication	Date of publishing	Websites and search path
Announcement of Reduction of Shareholding by Major Shareholder	<i>Shanghai Securities</i> page B24	8 January 2010	Shanghai Stock Exchange http://www.sse.com.cn Hong Kong Stock Exchange http://www.hkexnews.hk
Announcement in respect of estimated loss for 2009	<i>Shanghai Securities</i> page B1	27 January 2010	As above
Announcement for resolutions passed at the 10th meeting of the Sixth Board of Directors	<i>Shanghai Securities</i> page B46	19 March 2010	As above
Announcement for resolutions passed at the 10th meeting of the Sixth Supervisory Committee	<i>Shanghai Securities</i> page B46	19 March 2010	As above
Announcement on Implementation of Delisting Warning	<i>Shanghai Securities</i> page B46	19 March 2010	As above
Announcement for the connected transaction	<i>Shanghai Securities</i> page B46	19 March 2010	As above
2009 Annual Report Summary	<i>Shanghai Securities</i> page B46	19 March 2010	As above
Announcement on unusual price movements	<i>Shanghai Securities</i> page B67	13 April 2010	As above
2010 First Quarterly Report	<i>Shanghai Securities</i> page B83	28 April 2010	As above

(XII) Access to Discloseable Information (cont'd)

Events	Name and page of publication	Date of publishing	Websites and search path
Announcement for resolutions passed at the 19th meeting of the Sixth Board of Directors	<i>Shanghai Securities</i> page B83	28 April 2010	As above
Announcement for the continued connected transaction	<i>Shanghai Securities</i> page B83	28 April 2010	As above
Supplemental announcement on 2009 Annual Report	<i>Shanghai Securities</i> page B108	29 April 2010	As above
Announcement for resolutions passed at the 21st meeting of the Sixth Board of Directors and notice for 2009 Annual General Meeting	<i>Shanghai Securities</i> page B34	14 May 2010	As above
Announcement of suspension of trading of A shares	<i>Shanghai Securities</i> page B23	31 May 2010	As above
Announcement for the 4th extraordinary meeting of the Sixth Board of Directors	<i>Shanghai Securities</i> page A11	3 June 2010	As above
Announcement for the connected transaction on disposal of assets	<i>Shanghai Securities</i> page A11	3 June 2010	As above
Announcement of progress on the connected transaction on disposal of assets	<i>Shanghai Securities</i> page B30	10 June 2010	As above
Supplemental notice of 2009 Annual General Meeting	<i>Shanghai Securities</i> page 16	12 June 2010	As above
Announcement for resolutions passed at the 2009 Annual General Meeting	<i>Shanghai Securities</i> page B34	30 June 2010	As above
Announcement on unusual price movements of A shares	<i>Shanghai Securities</i> page 16	3 July 2010	As above
Interim Report Summary	<i>Shanghai Securities</i> page B60	30 July 2010	As above
Announcement for resolutions passed at the 23rd meeting of the Sixth Board of Directors	<i>Shanghai Securities</i> page B60	30 July 2010	As above
Announcement for resolutions passed at the 12th meeting of the Sixth Supervisory Committee	<i>Shanghai Securities</i> page B60	30 July 2010	As above
Announcement on the approval of transfer of equity interests in the subsidiaries by the Beijing State-owned Assets Supervision and Administration Commission	<i>Shanghai Securities</i> page 31	4 September 2010	As above
Announcement for resolutions passed at the 5th extraordinary meeting of the Sixth Board of Directors	<i>Shanghai Securities</i> page 44	27 September 2010	As above
Announcement on unusual price movements of A shares	<i>Shanghai Securities</i> page B13	14 October 2010	As above
Third Quarterly Report Summary	<i>Shanghai Securities</i> page B44	29 October 2010	As above
Announcement on resignation of supervisor	<i>Shanghai Securities</i> page B22	17 November 2010	As above
Announcement for resolutions passed at the 6th extraordinary meeting of the Sixth Board of Directors	<i>Shanghai Securities</i> page 14	27 November 2010	As above
Announcement on the amendments to the Procedural Rules of the Meetings of the Board	<i>Shanghai Securities</i> page B23	8 December 2010	As above
Announcement on the amendments to the Procedural Rules of the Meetings of the Supervisory Committee	<i>Shanghai Securities</i> page B23	8 December 2010	As above



SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, 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 65 to 105, which comprise the consolidated statement of financial position as at 31 December 2010, and the 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 of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 of the consolidated financial statements that give a true and fair view 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 2010 and of the Group's profit 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
17 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
Turnover	7	800,024	748,384
Cost of sales		(725,973)	(724,448)
Gross profit		74,051	23,936
Other operating income	9	32,920	23,806
Selling and distribution expenses		(73,347)	(62,853)
Administrative expenses		(158,134)	(145,845)
Finance costs	10	(18,022)	(19,956)
Gain on disposal of subsidiaries	37	174,987	631
Share of profits of associates	22	466	622
Profit (loss) before taxation		32,921	(179,659)
Taxation	11	(5,499)	472
Profit (loss) and total comprehensive income (loss) for the year	12	27,422	(179,187)
Profit (loss) and total comprehensive income (loss) for the year attributable to:			
Owners of the Company		30,231	(173,674)
Non-controlling interests		(2,809)	(5,513)
		27,422	(179,187)
Earnings (loss) per share Basic and diluted	16	RMB 7.2cents	RMB(41.2) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Prepared under Hong Kong Financial Reporting Standards)
As at 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	17	499,080	553,379
Prepaid lease payments	18	120,799	141,349
Investment properties	19	66,631	74,752
Interests in associates	22	15,854	15,388
Goodwill	20	-	-
Other intangible assets	21	-	-
Deferred tax assets	23	2,741	8,240
		705,105	793,108
Current assets			
Inventories	24	349,628	489,304
Trade and other receivables	25	273,030	302,544
Prepaid lease payments	18	2,722	2,894
Amounts due from shareholders of subsidiaries	26	6,328	21,049
Tax recoverable		103	-
Deposits placed in financial institutions	27	-	297
Bank balances and cash	27	119,043	119,131
		750,854	935,219
Current liabilities			
Trade and bills payables	28	310,911	391,443
Other payables	29	64,186	73,218
Sales deposits received		97,702	94,623
Amount due to immediate holding company	30	17,406	15,639
Tax liabilities		-	1,904
Bank and other borrowings – due within one year	31	78,750	120,400
Loans from ultimate holding company	32	70,000	230,000
Termination benefits	33	6,857	10,340
		645,812	937,567
Net current assets (liabilities)		105,042	(2,348)
		810,147	790,760
Capital and reserves			
Share capital	34	422,000	422,000
Reserves	35	318,271	286,677
Equity attributable to owners of the Company		740,271	708,677
Non-controlling interests		20,842	25,175
Total equity		761,113	733,852
Non-current liabilities			
Bank and other borrowings – due after one year	31	9,000	18,000
Loans from ultimate holding company	32	9,619	10,500
Termination benefits	33	21,897	25,603
Deferred income	36	8,518	2,805
		49,034	56,908
		810,147	790,760

The consolidated financial statements on pages 65 to 105 were approved and authorised for issue by the Board of Directors on 17 March 2011 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 2010

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium 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	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2009	422,000	435,834	51,306	151,280	1,717	3,845	42,979	(226,610)	882,351	30,688	913,039
Loss and total comprehensive loss for the year	-	-	-	-	-	-	-	(173,674)	(173,674)	(5,513)	(179,187)
Transfer (Note)	-	-	-	(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
Profit (loss) and total comprehensive income (loss) for the year	-	-	-	-	-	-	-	30,231	30,231	(2,809)	27,422
Acquisition of additional interest in a subsidiary (Note 38)	-	-	1,363	-	-	-	-	-	1,363	(1,506)	(143)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(18)	(18)
	-	-	1,363	-	-	-	-	-	1,363	(1,524)	(161)
At 31 December 2010	422,000	435,834	52,669	-	1,717	3,845	42,979	(218,773)	740,271	20,842	761,113

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 2010

	NOTES	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES			
Profit (loss) before taxation		32,921	(179,659)
Adjustments for:			
Depreciation for property, plant and equipment and investment properties		37,171	45,520
Amortisation of prepaid lease payments		2,722	2,895
Gain on disposal of property, plant and equipment		(1,537)	(765)
Gain on disposal of investment properties		(1,342)	–
Allowance for trade and other receivables, net		16,641	1,903
Allowance for (reversal of allowance for) obsolete inventories		57,469	(13,956)
Impairment loss recognised in respect of property, plant and equipment		–	290
Gain on disposal of subsidiaries		(174,987)	(631)
Share of profits of associates		(466)	(622)
Interest income		(1,017)	(447)
Government grants released from deferred income		(796)	(761)
Finance costs		18,022	19,956
Operating cash flows before movements in working capital		(15,199)	(126,277)
Decrease in inventories		54,464	181,850
Increase in trade and other receivables		(23,346)	(2,502)
Decrease in trade and bills payables		(41,551)	(13,216)
(Decrease) Increase in other payables		(2,214)	399
Increase in sales deposits received		3,079	34,511
Increase in amount due to immediate holding company		1,767	1,545
Decrease in termination benefits		(7,189)	(9,334)
Cash (used in) generated from operations		(30,189)	66,976
Income tax paid		(2,007)	(410)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(32,196)	66,566
INVESTING ACTIVITIES			
Net cash inflow from disposal of subsidiaries	37	187,402	9
Acquisition of additional interest in a subsidiary	38	(143)	–
Proceeds from disposal of property, plant and equipment		7,537	2,197
Proceeds from disposal of an investment property		8,944	–
Purchase of property, plant and equipment		(8,123)	(4,056)
Increase in deferred income		6,509	–
Interest received		1,017	447
Prepaid lease payment in relation to land use rights		–	(512)
Repayment from (advances to) non-controlling shareholders of subsidiaries		14,721	(73)
Dividend received from an associate		–	622
NET CASH FROM (USED IN) INVESTING ACTIVITIES		217,864	(1,366)
FINANCING ACTIVITIES			
Repayments of bank and other borrowings		(7,150)	(240,450)
Interest paid		(18,022)	(19,956)
(Repayment to) advances from ultimate holding company		(160,881)	100,500
New borrowings raised		–	139,350
NET CASH USED IN FINANCING ACTIVITIES		(186,053)	(20,556)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(385)	44,644
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		119,428	74,784
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		119,043	119,428
Analysis of balance of cash and cash equivalents:			
Deposits placed in financial institutions		–	297
Bank balances and cash		119,043	119,131
		119,043	119,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

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. 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 and interpretations (“INT”) (herein collectively referred to as “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standard (“HKAS”) 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-Time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK – Int 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

HKFRS 3 (Revised)

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods, may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28 ¹
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ⁵
HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets ⁵
HKFRS 9	Financial Instruments ⁷
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets ⁶
HKAS 24 (Revised)	Related Party Disclosure ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 February 2010.

³ Effective for annual periods beginning on or after 1 July 2010.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 July 2011.

⁶ Effective for annual periods beginning on or after 1 January 2012.

⁷ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in the profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to the profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group’s disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(cont’d)*

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 results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 (the “Listing Rules”) 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.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary’s equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalue amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiaries at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate.

Goodwill

Goodwill arising on an acquisition of subsidiaries and associates 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 is allocated to each of the Group’s cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor 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 cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

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 when the goods are delivered to customers and the title has passed.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

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.

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

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

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 the profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments, including any lump-sum upfront payments, are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified 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, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At 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 at 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 on monetary items are recognised in the profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting 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 that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange translation reserve (attributed to non-controlling interest as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currencies (cont'd)

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates that does not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange translation reserve.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for use or sale.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the 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 consolidated statement of financial position and transferred to the 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 the profit or loss in the period in which they become receivable.

Relocation compensation income

Compensation income for relocation is recognised in the profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the income are intended to compensate. Relocation compensation income are recognised as deferred income in the consolidated statement of financial position and transferred to the profit or loss whenever there are related relocation expenses incurred.

Retirement benefit costs

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognise the termination benefits when it is demonstrably committed to either: (1) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (2) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Research and development expenditure

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

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. The estimated useful life and amortization method are reviewed at the end of each reporting period.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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 statement of comprehensive income 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.

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 the 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.

Inventories

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposit as defined above.

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.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

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 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).

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, 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 the 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 instruments

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, loans from ultimate holding company and termination benefit 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Financial instruments *(cont'd)*

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 in its entirety, 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 and accumulated in equity is recognised in profit or loss.

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

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in profit and loss.

Where impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) 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 (or cash generating unit) in prior years. A reversal of impairment loss is recognised as income immediately in profit and loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, 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 underlying 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.

Building 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 17. 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.

Recognition of deferred tax assets

As at 31 December 2010, a deferred tax asset of approximately RMB2,741,000 (2009: RMB 8,240,000) 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 future profit generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place. Also, as at 31 December 2010, the Group has unrecognised deferred tax assets in respect of unused tax losses of approximately RMB495,489,000 (2009: RMB435,727,000). In cases where the future profit generated are more than expected, deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such condition exists.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(cont'd)*

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.

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. No impairment loss was recognised for the year ended 31 December 2010 (2009: RMB290,000).

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. As at 31 December 2010, the carrying amount of trade and other receivables is RMB273,030,000, net of accumulated impairment losses of RMB112,982,000 (2009: RMB302,544,000, net of accumulated impairment losses of RMB105,458,000).

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. As at 31 December 2010, the carrying amount of inventories is RMB349,628,000, net of allowance for obsolete inventories of RMB96,074,000 (2009: RMB489,304,000, net of allowance for obsolete inventories of RMB107,984,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to 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 31 and 32 respectively, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in Note 34, reserves and accumulated losses/retained profits as disclosed in consolidated statement of changes in equity.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

6. Financial Instruments

(a) Categories of financial instruments

	2010 RMB'000	2009 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	378,618	424,124
Financial liabilities		
At amortised cost	579,678	881,649

(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, loans from ultimate holding company and termination benefits. 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 3.78% (2009: 4.91%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 95.2% (2009: 96.1%) 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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
United States dollars ("USD")	5,279	2,041	7,384	6,646
Hong Kong dollars ("HK\$")	-	-	65	67
European dollars ("Euro")	-	-	-	-
Japanese Yen ("JPY")	129	111	2	47
	5,408	2,152	7,451	6,760

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% (2009: 10%) increase or decrease in Renminbi against the relevant foreign currencies. 10% (2009: 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% (2009: 10%) change in foreign currency rates. A positive number below indicates an increase in profit/ decrease in loss where Renminbi strengthens 10% (2009: 10%) against the relevant currencies. For a 10% (2009: 10%) weakening of Renminbi against the relevant currencies, there would be an equal and opposite impact on the profit or loss.

	USD impact		HK\$ impact		Euro impact		JPY impact	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Profit or loss	211	461	7	7	-	-	13	7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

6. Financial Instruments *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

Market risk *(cont'd)*

(i) Currency risk *(cont'd)*

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 2010.

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 31 and 32 respectively. The Group historically has not used any financial instrument to hedge potential fluctuations in interest rates as the term of borrowings is mainly within one year, the exposure of interest risk for fair value is limited.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings and bank deposits and balances as detailed in Notes 31 and 27 respectively. It is the Group's policy to keep its borrowings at floating rate of 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 (2009: 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 (2009: 100 basis points) higher/lower and all other variables were held constant, the Group's profit for the year would increase/decrease by approximately RMB1,010,000 (2009: loss for the year would decrease/increase by approximately RMB935,000).

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from shareholders of subsidiaries, deposits placed in financial institutions and bank balances. As at 31 December 2010, 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 [97]% (2009: 98%) of the total receivables as at 31 December 2010.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

6. Financial Instruments *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

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 2010, the Group has available unutilised short-term bank loan facilities of approximately RMB8,700,000 (2009: RMB9,800,000).

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 2010

	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
Non-derivative financial liabilities					
Trade and bills payables	310,911	310,911	310,911	-	-
Other payables	55,238	55,238	55,238	-	-
Amount due to immediate holding company	17,406	17,406	17,406	-	-
Bank and other borrowings					
– fixed rate	69,750	72,580	72,580	-	-
– variable rate	18,000	18,711	9,672	9,039	-
Loans from ultimate holding company	79,619	82,218	71,155	11,063	-
Termination benefits	28,754	29,912	7,118	8,364	14,430
	579,678	586,976	544,080	28,466	14,430

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
Non-derivative financial liabilities					
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
Termination benefits	35,943	36,901	10,574	9,321	17,006
	881,649	890,973	835,446	22,133	33,394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

6. Financial Instruments (cont'd)

(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.

7. 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 services and is analysed as follows:

	2010 RMB'000	2009 RMB'000
Sales of offset press	431,054	448,573
Sales of gravure press	299,370	233,438
Sales of business form machine	44,800	26,686
Others	30,364	44,652
Total sales	805,588	753,349
Less: sales tax and other surcharges	(5,564)	(4,965)
	800,024	748,384

8. Segment Information

The Group's operating segments, based on information reported to the Board of Directors, being the chief operating decision maker for the purpose of resource allocation and performance assessment, 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

8. Segment Information (cont'd)

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 2010

	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	427,107	297,945	44,732	30,240	-	800,024
Inter-segment sales	5,439	-	-	-	(5,439)	-
Total	<u>432,546</u>	<u>297,945</u>	<u>44,732</u>	<u>30,240</u>	<u>(5,439)</u>	<u>800,024</u>
Segment (loss) profit	<u>(122,370)</u>	<u>13,351</u>	<u>(11,407)</u>	<u>1,691</u>		<u>(118,735)</u>
Share of profits of Associates						466
Unallocated corporate income						176,004
Unallocated corporate expenses						(6,792)
Finance costs						(18,022)
Profit before taxation						<u>32,921</u>

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	<u>448,043</u>	<u>232,125</u>	<u>26,686</u>	<u>50,429</u>	<u>(8,899)</u>	<u>748,384</u>
Segment loss	<u>(128,066)</u>	<u>(5,610)</u>	<u>(3,641)</u>	<u>(20,480)</u>		<u>(157,797)</u>
Share of profits of associates						622
Unallocated corporate income						1,078
Unallocated corporate expenses						(3,606)
Finance costs						(19,956)
Loss before taxation						<u>(179,659)</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment loss represents the loss from each segment without allocation of share of profits of associates, interest income on bank deposits, gain on disposal of subsidiaries, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

8. Segment Information *(cont'd)*

Segments assets and liabilities

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

Segment assets

	2010 RMB'000	2009 RMB'000
Sales of offset press	1,100,888	1,144,165
Sales of gravure press	106,587	252,683
Sales of business form machine	22,364	47,011
Others	88,379	141,412
Total segment assets	1,318,218	1,585,271
Unallocated corporate assets	137,741	143,056
Consolidated assets	1,455,959	1,728,327

Segment liabilities

	2010 RMB'000	2009 RMB'000
Sales of offset press	264,391	368,016
Sales of gravure press	176,061	157,861
Sales of business form machine	26,624	19,344
Others	51,237	68,450
Total segment liabilities	518,313	613,671
Unallocated corporate liabilities	176,533	380,804
Consolidated liabilities	694,846	994,475

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

- all assets are allocated to reportable segments other than interests in associates, deferred tax assets, tax recoverable, deposits placed in financial institutions and bank balances and cash. Assets used jointly by reportable segments; and
- all liabilities are allocated to reportable segments other than 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

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

8. Segment Information *(cont'd)* Other segment information

For the year ended 31 December 2010

	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)	303	7,486	53	281	8,123
Depreciation and amortisation	28,039	10,263	982	609	39,893
Allowance for trade and other receivables, net	9,469	649	6,523	-	16,641
Allowance for (reversal of allowance for) obsolete inventories	51,098	(1,969)	6,437	1,903	57,469
Gain on disposal of property, plant and equipment	(1,482)	(12)	-	(43)	(1,537)
Gain on disposal of investment properties	(1,342)	-	-	-	(1,342)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment loss or segment assets:					
Interests in associates	15,854	-	-	-	15,854
Share of profits of associates	(466)	-	-	-	(466)
Interest income	(857)	(90)	(70)	-	(1,017)
Interest expense	12,217	4,929	876	-	18,022
Tax expense	5,499	-	-	-	5,499

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 profits of associates	(622)	-	-	-	(622)
Interest income	(360)	(62)	(21)	(4)	(447)
Interest expense	13,427	5,311	1,202	16	19,956
Tax (credit) expense	(321)	402	(190)	(363)	(472)

Note: Non-current assets excluded deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

8. Segment Information *(cont'd)*

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 (Note)	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
PRC	751,658	711,874	702,364	784,868
East Asia other than the PRC	30,154	29,276	-	-
South America	7,724	6,678	-	-
North America	10,488	258	-	-
Europe	-	298	-	-
	800,024	748,384	702,364	784,868

Note: Non-current assets excluded deferred tax assets.

Information about major customers

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

9. Other Operating Income

	2010 RMB'000	2009 RMB'000
Gross rental income from investment properties	2,140	2,140
Gross rental income from prepaid lease payments	2,846	2,846
Gross rental income from property, plant and equipment	1,720	4,174
Gain on disposal of property, plant and equipment	1,537	765
Gain on disposal of investment properties	1,342	-
Government grants (Note)	9,537	8,332
Government grants released from deferred income (Note 36)	796	761
Interest income on bank deposits	1,017	447
Profit from sales of scrap materials	2,352	1,121
Relocation compensation income (Note 36)	4,661	-
Others	4,972	3,220
	32,920	23,806

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.

Outgoings of RMB518,000 (2009: RMB518,000) were incurred resulting in net rental income of RMB1,622,000 (2009: RMB1,622,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

10. Finance Costs

	2010 RMB'000	2009 RMB'000
Interest on bank and other borrowings wholly repayable within five years	18,004	19,911
Interest on discounted bills	18	45
	18,022	19,956

11. Taxation

	2010 RMB'000	2009 RMB'000
The taxation comprises:		
PRC Enterprise Income Tax		
Over provision in prior years	-	(884)
Deferred tax (Note 23)		
Current year	5,499	412
	5,499	(472)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, except for Shaanxi Beiren Printing Machinery Company Limited ("Shaanxi Beiren"), the tax rate of the Company and its PRC subsidiaries is 25% for both years.

According to document (Guoshuifa [2002] 47) and document (Caishuizi [2009] 21) "Notice of Application of Transitional Preferential Policy on Enterprise 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 2009 and therefore is entitled to a preferential tax rate of 15% for three years, with effective from 1 January 2009.

No provision for Hong Kong profits tax had been made for both years ended 31 December 2010 and 2009 as these was no assessable profit for the subsidiary operation in Hong Kong.

The taxation for the years can be reconciled to the profit (loss) before taxation per the consolidated statement of comprehensive income as follows:

	2010 RMB'000	2009 RMB'000
Profit (loss) before taxation	32,921	(179,659)
Tax at the domestic income tax rate of 25% (2009: 25%)	8,230	(44,914)
Tax effect of expenses not deductible for tax purposes	4,683	4,443
Tax effect of income not taxable for tax purpose	(43,747)	(10,786)
Over provision in respect of prior years	-	(884)
Tax effect of tax losses not recognised	38,767	51,304
Utilisation of tax losses previously not recognized	(2,758)	-
Tax effect of share of profits of associates	(117)	(155)
Effect of different tax rates of subsidiaries	441	520
Taxation for the year	5,499	(472)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

12. Profit (Loss) For The Year

	2010 RMB'000	2009 RMB'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Depreciation and amortisation		
– Property, plant and equipment and investment properties	37,171	45,520
– Prepaid lease payments	2,722	2,895
Total depreciation and amortisation	39,893	48,415
Staff costs including directors' emoluments		
– Wages and salaries	159,212	178,993
– Retirement benefits scheme contributions	21,611	22,483
– Termination benefits	6,561	7,276
	187,384	208,752
Allowance for trade and other receivables, net (included in administrative expenses)	16,641	1,903
Allowance for (reversal of allowance for) obsolete inventories (included in cost of sales)	57,469	(13,956)
Research and development expenses	24,297	35,321
Auditor's remuneration	1,150	1,150
Net foreign exchange losses	244	12
Impairment loss recognised in respect of property, plant and equipment	–	290
Share of taxation of associates (included in share of profits of associates)	35	68
Cost of inventories recognised as an expense	668,504	738,404

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

13. Directors' and Supervisors' Emoluments

	2010 RMB'000	2009 RMB'000
Fees	315	540
Other emoluments		
Salaries and other benefits	868	1,039
Retirement benefits scheme contributions	39	57
Total emoluments	1,222	1,636

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

	Fees RMB'000	2010 Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:				
Yang Zhendong (Resigned on 21 September 2010)	-	-	-	-
Zhang Pei Wu	90	281	11	382
Duan Yuangang	65	203	11	279
Pang Liandong (Resigned on 2 June 2010)	-	-	-	-
Non-executive directors:				
Bai Fan (Resigned on 21 September 2010)	-	-	-	-
Zhao Guorong	-	-	-	-
Liao Xiansheng (Appointed on 21 September 2010)	-	-	-	-
Independent non-executive directors:				
Xu Wencai	40	-	-	40
Wang Hui	40	-	-	40
Xie Bingguang	40	-	-	40
Wang Deyu	40	-	-	40
Supervisors:				
Guo Xuan	-	208	10	218
Shao Zhenjiang	-	-	-	-
Wang Liansheng	-	176	7	183
	315	868	39	1,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

13. Directors' and Supervisors' Emoluments (cont'd)

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 2010. No director or supervisor waived any emolument for the two years ended 31 December 2010.

	Fees RMB'000	Salaries and other benefits RMB'000	2009 Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:				
Yang Zhendong	105	137	10	252
Zhang Peiwu	140	198	10	348
Duan Yuangang (appointed on 8 January 2009)	105	140	7	252
Pang Liandong (appointed on 8 January 2009)	–	181	10	191
Non-executive directors:				
Bai Fan	–	–	–	–
Zhao Guorong (appointed on 3 November 2009)	–	–	–	–
Denggang (resigned on 20 July 2009)	–	–	–	–
Yu Baogui (resigned on 30 October 2009)	30	–	–	30
Independent non-executive directors:				
Xu Wencai	40	–	–	40
Wang Hui	40	–	–	40
Xie Bingguang	40	–	–	40
Wang Deyu	40	–	–	40
Supervisors:				
Guo Xuan	–	144	7	151
Shao Zhenjiang	–	112	8	120
Wang Liansheng (appointed on 3 November 2009)	–	97	5	102
Xiao Maolin (resigned on 3 November 2009)	–	30	–	30
	<u>540</u>	<u>1,039</u>	<u>57</u>	<u>1,636</u>

14. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2009: three) were directors of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining two (2009: two) individuals, which are individually below RMB1,000,000, were as follows:

	2010 RMB'000	2009 RMB'000
Salaries and other benefits	522	474
Retirement benefits scheme contributions	22	21
	<u>544</u>	<u>495</u>

15. Dividend

No dividend was paid or proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

16. Earnings (Loss) Per Share

The calculation of basic earnings (loss) per share attributable to the owners of the Company is based on the profit for the year attributable to the owners of the Company of approximately RMB30,231,000 (2009: loss for the year of approximately RMB173,674,000) and the weighted average number of 422,000,000 (2009: 422,000,000) ordinary shares in issue during the year.

The diluted earnings (loss) per share is equal to the basic earnings (loss) per share as calculated above as the Company did not have any potential shares outstanding for the two years ended 31 December 2010 and 2009.

17. Property, Plant and Equipment

	Buildings in the PRC RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2009	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 37)	(2,129)	(2,535)	(182)	(357)	–	(5,203)
At 31 December 2009	475,758	435,162	59,008	13,098	3,114	986,140
Transfer	–	1,334	–	–	(1,334)	–
Additions	2,665	3,070	2,353	35	–	8,123
Disposals	(3,728)	(10,421)	(2,586)	(1,013)	–	(17,748)
Disposal of subsidiaries (Note 37)	(13,661)	(61,021)	(3,108)	(981)	–	(78,771)
At 31 December 2010	461,034	368,124	55,667	11,139	1,780	897,744
DEPRECIATION AND IMPAIRMENT						
At 1 January 2009	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 37)	(670)	(1,997)	(152)	(299)	–	(3,118)
At 31 December 2009	100,815	267,948	56,230	7,768	–	432,761
Charge for the year	16,096	16,674	2,354	1,528	–	36,652
Eliminated on disposals	(1,209)	(7,286)	(2,440)	(813)	–	(11,748)
Eliminated on disposal of subsidiaries (Note 37)	(2,181)	(54,852)	(1,876)	(92)	–	(59,001)
At 31 December 2010	113,521	222,484	54,268	8,391	–	398,664
CARRYING VALUES						
At 31 December 2010	347,513	145,640	1,399	2,748	1,780	499,080
At 31 December 2009	374,943	167,214	2,778	5,330	3,114	553,379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

17. Property, Plant and Equipment *(cont'd)*

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%
Plant and machinery	6.929% to 12.125%
Furniture, fixtures and office equipment	12.125%
Motor vehicles	12.125%

All buildings held at 31 December 2010 and 2009 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 RMB52,845,000 (2009: RMB63,671,000), for which the Group has not yet obtained the building certificates from the relevant government authorities.

As at 31 December 2010, bank borrowings of the Group amounting to approximately RMB56,000,000 (2009: RMB67,500,000) are secured by the Group's buildings and machineries with the carrying amount of approximately RMB60,022,000 (2009: RMB68,037,000) (Note 31).

During the year ended 31 December 2010, the Group leased certain of its buildings in the PRC, plant and machinery and motor vehicles with carrying values of approximately RMB62,027,000 (2009: RMB63,671,000), RMB2,091,000 (2009: RMB2,380,000) and RMB38,000 (2009: RMB43,000) respectively for rental income under operating leases.

Details of the property, plant and equipment pledged are set out in Note 31.

18. 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:

	2010 RMB'000	2009 RMB'000
Current assets	2,722	2,894
Non-current assets	120,799	141,349
	123,521	144,243

Included in the prepaid lease payments are land use rights with carrying values of RMB 17,043,000 as at 31 December 2009 of which the Group is in the process of obtaining the land use rights certificate. The Group has obtained all the respective land use rights certificates during the year ended 31 December 2010.

During the year ended 31 December 2010, the Group leased certain of its land use rights in the PRC with carrying values of approximately RMB17,019,000 (2009: RMB17,397,000) for rental income under operating leases.

Details of the prepaid lease payments pledged are set out in Note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

19. Investment Properties

	2010 RMB'000	2009 RMB'000
COST		
At 1 January	81,836	81,836
Disposal	(15,060)	–
At 31 December	66,776	81,836
DEPRECIATION		
At 1 January	7,084	6,330
Provided for the year	519	754
Elimination of disposal	(7,458)	–
At 31 December	145	7,084
CARRYING VALUES		
At 31 December	66,631	74,752

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.

Gross rental income generated from the investment properties during the year amounted to approximately RMB2,140,000 (2009: RMB2,140,000).

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.

20. Goodwill

	2010 RMB'000	2009 RMB'000
COST		
At 1 January	4,434	4,434
Disposal of subsidiaries (Note 37)	(1,299)	–
At 31 December	3,135	4,434
IMPAIRMENT		
At 1 January	4,434	4,434
Impairment loss recognised in the year	–	–
Disposal of subsidiaries (Note 37)	(1,299)	–
At 31 December	3,135	4,434
CARRYING VALUES		
At 31 December	–	–

Goodwill has been allocated to two subsidiaries, namely Shaanxi Beiren and Haimen Beiren Fuji Printing Machinery Company Limited (“Haimen Beiren”), being the cash-generating units for impairment testing of goodwill. Goodwill associated with Haimen Beiren and Shaanxi Beiren was fully impaired in prior year.

During the year ended 31 December 2010, the Group disposed of its entire interest in Haimen Beiren and the respective goodwill and the associated impairment loss were eliminated accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

21. Other Intangible Assets

	2010 RMB'000	2009 RMB'000
COST		
At 1 January	4,823	6,426
Written off	-	(977)
Disposal of subsidiaries (Note 37)	(721)	(626)
At 31 December	4,102	4,823
AMORTISATION		
At 1 January	4,823	6,426
Provided for the year	-	-
Eliminated on written off	-	(977)
Eliminated on disposal of subsidiaries (Note 37)	(721)	(626)
At 31 December	4,102	4,823
CARRYING VALUES		
At 31 December	-	-

Other 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 was written off during the year ended 31 December 2009. The relevant intangible asset at the time of its written off was fully amortised.

22. Interests in Associates

	2010 RMB'000	2009 RMB'000
Cost of unlisted investments	31,026	31,026
Share of post-acquisition losses and other comprehensive income, net of dividends received	(15,323)	(15,789)
Share of capital reserve	151	151
	15,854	15,388

As at 31 December 2010 and 2009, 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
			2010	2009	
Beijing Monigraf Automations Co., Ltd. ("Beijing Monigraf")	Sino-foreign equity joint venture	PRC	49%	49%	Sale of automations of printing ink presses
Beijing Beiyong Casting Company Limited ("Beijing Beiyong")	Limited liability company	PRC	20%	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%	49%	Manufacture and sale of printing presses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

22. Interests in Associates *(cont'd)*

The summarised financial information in respect of the Group's associates is set out below:

	2010 RMB'000	2009 RMB'000
Current assets	176,080	273,388
Non-current assets	14,671	17,013
Total assets	190,751	290,401
Current liabilities, representing total liabilities	(199,459)	(272,821)
Net (liabilities) assets	(8,708)	17,580
Group's share of net assets of associates	15,854	15,388
Turnover	197,561	139,796
Cost of sales	(188,742)	(130,862)
Gross profit	8,819	8,934
Other operating expenses	(34,456)	(17,867)
Loss before taxation	(25,637)	(8,933)
Taxation	(346)	(278)
Loss for the year	(25,983)	(9,211)
Group's share of profit and other comprehensive income of associates for the year	466	622

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:

	2010 RMB'000	2009 RMB'000
Unrecognised share of losses of associate for the year	28,081	12,073
Accumulated unrecognised share of losses of associate	49,635	21,554

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

23. Deferred Tax Assets

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

	Allowance for trade and other receivables RMB'000	Allowance for obsolete inventories RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2009	2,354	5,858	440	8,652
Credit (charge) to the consolidated statement of comprehensive income (Note 11)	165	(661)	84	(412)
At 31 December 2009	2,519	5,197	524	8,240
Charge to the consolidated statement of comprehensive income (Note 11)	(449)	(4,533)	(517)	(5,499)
At 31 December 2010	2,070	664	7	2,741

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 RMB2,741,000 (2009: RMB8,240,000) 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 RMB495,489,000 (2009: RMB435,727,000) 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. The Group's unrecognised deferred tax assets in respect of tax losses will expire progressively until 2015.

24. Inventories

	2010 RMB'000	2009 RMB'000
Raw materials	82,779	100,324
Work-in-progress	182,156	279,177
Finished goods	84,693	109,803
	349,628	489,304

As at 31 December 2010, the carrying amount of inventories of approximately RMB349,628,000 (2009: RMB489,304,000) was net of allowance for obsolete inventories of approximately RMB96,074,000 (2009: RMB107,984,000).

During the year ended 31 December 2009, there was a significant amount of inventories on which allowance has been made in prior year had been sold. As a result, a reversal of allowance for obsolete inventories of approximately RMB13,956,000 had been recognised in the consolidated statement of comprehensive income in that year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

25. Trade and Other Receivables

	2010 RMB'000	2009 RMB'000
Trade receivables	309,402	345,415
Less: allowance for trade receivables	(106,291)	(90,247)
	203,111	255,168
Other receivables	21,412	27,279
Less: allowance for other receivables	(6,691)	(15,211)
	14,721	12,068
Bills receivables	35,415	16,708
Prepayments and deposits	19,783	18,600
Total trade and other receivables	273,030	302,544

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 and bills receivables net of allowance for doubtful debts presented based on the invoice at the end of the reporting period.

	2010 RMB'000	2009 RMB'000
Within 1 year	182,332	195,587
1 – 2 years	38,334	54,167
2 – 3 years	17,753	21,974
Over 3 years	107	148
	238,526	271,876

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of approximately RMB56,194,000 (2009: RMB76,289,000) 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:

	2010 RMB'000	2009 RMB'000
Within 1 year past	38,334	54,167
Over 1 year but within 2 years	17,753	21,974
Over 2 years	107	148
Total	56,194	76,289

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 2010

25. Trade and Other Receivables (cont'd)

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:

	2010 RMB'000	2009 RMB'000
At 1 January	105,458	104,006
Impairment loss recognised on receivables	17,802	4,094
Amounts written off as uncollectible	(597)	(323)
Amounts recovered during the year	(1,161)	(2,191)
Disposal of subsidiaries	(8,520)	(128)
At 31 December	112,982	105,458

Included in the allowance for trade and other receivables are individually impaired trade and other receivables with an aggregate balance of approximately RMB112,982,000 (2009: RMB105,458,000) which have been placed in severe financial difficulties. The Group does not hold any collateral over these balances.

26. Amounts Due from Shareholders of Subsidiaries

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

27. Deposits Placed in Financial Institutions/Bank Balances

Deposits placed in financial institutions as at 31 December 2009 represented 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. The deposits were all denominated in RMB.

Bank balances carried interest at market rate of 0.28% per annum for the year ended 31 December 2010 (2009: 0.36%).

28. 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:

	2010 RMB'000	2009 RMB'000
Within 1 year	239,934	292,592
1 – 2 years	66,476	92,370
2 – 3 years	1,366	4,734
Over 3 years	3,135	1,747
	310,911	391,443

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.

29. Other Payables

	2010 RMB'000	2009 RMB'000
Staff welfare accruals	21,448	23,713
Other payables	33,790	36,011
Other tax and levies payable	8,948	13,494
	64,186	73,218

30. Amount Due to Immediate Holding Company

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

31. Bank and Other Borrowings

	2010 RMB'000	2009 RMB'000
Bank loans	87,750	106,900
Other loans	-	31,500
	87,750	138,400
Secured	56,000	69,450
Unsecured	10,000	39,550
Unsecured – guaranteed	21,750	29,400
	87,750	138,400
Carrying amount repayable:		
On demand or within one year	78,750	120,400
More than one year, but not exceeding two years	9,000	9,000
More than two years, but not exceeding five years	-	9,000
	87,750	138,400
Less: Amounts due within one year shown under current liabilities	(78,750)	(120,400)
	9,000	18,000

Details of securities and guarantees in respect of the bank loans of the Group at 31 December 2010 were as follows:

- (a) The loans with an aggregate principal amount of approximately of RMB56,000,000 (2009: RMB67,500,000) were secured by buildings in the PRC and land use rights of the Group with carrying values of approximately of RMB60,022,000 (2009: RMB68,037,000), and RMB18,995,000(2009: RMB21,991,000) respectively. In 2009, plant and machinery with carrying amount of RMB1,282,000(2010: Nil) had been pledged to a bank to secure the loans.
- (b) The loans with an aggregate principal amount of RMB21,750,000 (2009: RMB29,400,000) were guaranteed by certain independent third parties.

At 31 December 2009, the Group had obtained an other loans of RMB1,950,000 from 海門市農村信用合作社 which was secured by plant and machinery of the Group with carrying values of approximately of RMB1,282,000. The loan was disposed of in 2010 under disposal subsidiaries in note 37.

In addition, included in other borrowings was a non-interest bearing loan from Beijing Offset Point Factory, one of the shareholders of a subsidiary, amounting to RMB29,550,000 as at 31 December 2009 (2010: Nil). The loan was unsecured and was disposed of in 2010 under disposal of subsidiaries in note 37.

As at 31 December 2010, the Group's bank and other borrowings of RMB69,750,000 (2009: RMB82,900,000) were subject to fixed interest rates ranging from 4.86% to 6.90% (2009: 5.31% to 6.11%) and RMB18,000,000 (2009: RMB25,950,000) were subject to variable interest rates ranging from 6.91% to 7.14% (2009: 6.64% to 6.91%), which exposed the Group to fair value interest rate risk and cash flow interest rate risk.

The above bank and other borrowings are all denominated in RMB and hence no foreign currency risk exposure.

32. Loans From Ultimate Holding Company

As at 31 December 2010, loans from ultimate holding company included an unsecured entrusted loans of RMB70,000,000 (2009: RMB230,000,000). The outstanding amounts are repayable within one year from the end of the reporting period. The loans were subject to fixed interest rates at 5.31% (2009: range from 4.86% to 5.31%) which exposed the Group to fair value interest rate risk.

In addition, the remaining balances represented loans for research and development. The loans were unsecured, carried interest rate at 5.4% to 5.76% and repayable from 30 November 2011 to 30 November 2012.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

33. Termination Benefits

	2010 RMB'000	2009 RMB'000
At 1 January	35,943	45,277
Charge to profit or loss during the year	6,561	7,276
Payment made during the year	(13,750)	(16,610)
At 31 December	28,754	35,943
Analysed for reporting purposes as:		
	2010 RMB'000	2009 RMB'000
Current liabilities	6,857	10,340
Non-current liabilities	21,897	25,603
	28,754	35,943

The Group has implemented a retirement plan for those employees who retired before their statutory retirement age. These amounts have been discounted at 4.25% (2009: 2.26%) for the purpose of measuring the accruals for termination benefits.

34. Share Capital

	RMB'000
Registered, issued and fully paid, at 1 January 2009, 31 December 2009 and 31 December 2010	
322,000,000 A shares of RMB1 each	322,000
100,000,000 H shares of RMB1 each	100,000
	422,000

There was no change in share capital in both years.

35. Reserves

- (a) Share premium represents the excess of proceeds received on issue of shares over the par value of registered share capital net of share issuing expenses.
- (b) According to relevant laws and regulations of the PRC, a company incorporated as a domestic enterprise is required to make an appropriation at the rate of 10 per cent of the profit after taxation of the Company, prepared in accordance with PRC accounting standards, to the statutory surplus reserve account until the accumulated balance has reached 50 per cent of the registered capital of the Company.
- (c) In accordance with a subsidiary's Articles of Association, the subsidiary incorporated as a domestic enterprise may appropriate funds to the discretionary surplus reserve after it discharges its obligations on the statutory reserves.
- (d) General reserve fund and enterprise expansion fund were set aside by a subsidiary incorporated as a foreign invested enterprise in the PRC in accordance with PRC relevant laws and regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

36. Deferred Income

The deferred income is released to the consolidated statement of comprehensive income over the expected useful life of the relevant assets or when the assets are disposed of or written off. Movements of deferred income during the year are as follows:

	2010 RMB'000	2009 RMB'000
At 1 January	2,805	3,566
Additions	11,170	–
Release to consolidated statement of comprehensive income	(5,457)	(761)
At 31 December	8,518	2,805

During the year ended 31 December 2003, the Group received government grants of approximately RMB5,250,000 from PRC government for compensation for relocation of certain factory premises of a subsidiary of the Company during that year. This deferred income is amortised to the consolidated statement of comprehensive income on a straight-line basis over 8 years. Approximately RMB657,000 had been amortised in 2010 (2009: RMB657,000) as other operating income in the consolidated statement of comprehensive income.

During the year ended 31 December 2007, the Group received government grants of approximately RMB1,150,000 from Shaanxi Provincial Development and Reform Commission for research and development of technology and the acquisition of premises, machineries and equipment of gravure press. The amount will be recognised as other operating income over a straight-line basis over 10 years. During the year, approximately RMB139,000 had been incurred in the consolidated statement of comprehensive income (2009: RMB104,000) as other operating income.

During the year ended 31 December 2010, the Group received government grants of approximately RMB423,000 from Shaanxi Provincial Package Printing Machinery Engineering Technique Research Center for production, research and development on gravure press. During the year, no related expenditure had been incurred and thus no deferred income has been recognised in the consolidated statement of comprehensive income.

During the year ended 31 December 2010, the Group entered into a relocation compensation agreement with BGC, pursuant to which BGC compensated the Group in respect of relocating the production facilities from the Building (as defined in point (c) in note 42(c)) amounting to approximately RMB10,747,000. During the year, approximately RMB4,661,000 (2009: Nil) has recognised in the consolidated statement of comprehensive income as other operating income. The remaining amount will be recognised on a systematic basis over 2 years.

37. Disposal of Subsidiaries

On 31 January 2010, the Group disposed of 68.66% equity interest in Beijing Beiren Yuxin Offset Printing Company Limited ("Beiren Yuxin") to an independent third party.

On 30 September 2010, the Group disposed of 79.70% direct equity interest and 20.30% indirect equity interest in Haimen Beiren to BGC.

On 31 October 2010, the Group disposed of 100% equity interest in Beiren Yi Xin (Beijing) Technical Development Company Limited ("Beiren Yi Xin") to BGC, the immediate holding company of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

37. Disposal of Subsidiaries (cont'd)

The aggregate net assets disposed of in the transaction are as follows:

	Beiren Yi Xin RMB'000	Haimen Beiren RMB'000	Beiren Yuxin RMB'000	Total RMB'000
Net assets disposed of:				
Property, plant and equipment	–	7,626	12,144	19,770
Prepaid lease payments	15,434	2,566	–	18,000
Goodwill	–	–	–	–
Other intangible assets	–	–	–	–
Inventories	–	25,245	2,498	27,743
Trade and other receivables	–	8,188	28,031	36,219
Bank balances and cash	6,674	5,177	596	12,447
Trade and bills payable	–	(30,614)	(8,367)	(38,981)
Bank and other borrowings	–	(13,950)	(29,550)	(43,500)
Other payables	–	(1,522)	(5,296)	(6,818)
	22,108	2,716	56	24,880
Non-controlling interests	–	–	(18)	(18)
	22,108	2,716	38	24,862
Gain on disposal	154,262	20,413	312	174,987
Total consideration	176,370	23,129	350	199,849
Satisfied by:				
Cash	176,370	23,129	350	199,849
Net cash inflow (outflow) arising on disposal:				
Cash consideration	176,370	23,129	350	199,849
Bank balances and cash disposed of	(6,674)	(5,177)	(596)	(12,447)
Net inflow (outflow) of cash and cash equivalents in respect of the disposal of a subsidiary	169,696	17,952	(246)	187,402

On 29 September 2009, the Group disposed of a subsidiary, Hebei Beiren Paper Feeder Company Limited ("Hebei Beiren") to 河北裝潢印刷機械股份有限公司, one of the shareholders of Hebei Beiren, for a consideration of RMB50,000. The net liabilities of Hebei Beiren at the date of disposal were as follows:

	RMB'000
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 payable	(6,839)
Other payables	(3,291)
Tax liabilities	(6)
	(581)
Gain on disposal	631
Total consideration	50
Satisfied by:	
Cash	50
Net cash inflow arising on disposal:	
Cash consideration	50
Bank balances and cash disposed of	(41)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

38. Acquisition in Additional Interest in a Subsidiary

The Group entered into an agreement with a non-controlling 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.

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 were settled by the debtors with the respective banks directly.

40. Operating Leases

The Group as lessor

Property rental income earned during the year was RMB2,140,000 (2009: RMB2,140,000). All of the Group's investment properties are held for rental purposes. They are expected to generate rental yields of 3.21% (2009: 2.86%) 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 (2009: RMB2,846,000) and RMB1,720,000 (2009: RMB4,174,000) respectively.

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

	2010 RMB'000	2009 RMB'000
Within one year	1,322	1,102
In the second to fifth years inclusive	836	1,519
	2,158	2,621

The Group as lessee

	2010 RMB'000	2009 RMB'000
Minimum lease payments paid under operating leases during the year:		
Premises	2,312	2,671
Property, plant and equipment	-	-
	2,312	2,671

As at 31 December 2010 and 2009, 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% (2009: 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 2010 amounted to RMB21,611,000 (2009: RMB22,483,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

42. Related Parties Disclosure

	2010 RMB'000	2009 RMB'000
Amount due from a subsidiary of BGC	1,629	–
Amounts due from associates	1,945	691
Amount due to a subsidiary of BGC	1,247	–
Amounts due to associates	26,122	54,480

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.

Apart from the balances with related parties disclosed in the consolidated statement of financial position and Notes 26, 30 and 32 respectively, the Group also entered into the following transactions with its related parties:

	2010 RMB'000	2009 RMB'000
Purchase of printing presses from – Mitsubishi Beiren (an associate)	2,833	3,024
Purchase of materials from – BGC (immediate holding company)	18,286	929
– Beijing Beiying (an associate)	20,369	10,579
– Beiren Monigraf (an associate)	11,522	8,144
Trademark fee paid to – BGC (immediate holding company)	4,146	3,803
Payment of rental fee to – BGC (immediate holding company)	850	850
Rental income received from – Beiren Monigraf (an associate)	–	50
– Beijing Beiying (an associate)	–	4,407
– Mitsubishi Beiren (an associate)	498	1,622
– BGC (immediate holding company)	369	930

During the year ended 31 December 2010, the Group effected the following non-recurring transaction:

- (a) disposed of two subsidiaries, namely Beiren Yi Xin and Haimen Beiren to BGC for an aggregate cash consideration of approximately RMB199,499,000.
- (b) transferred trade receivables owing by Haimen Beiren to the Company of approximately RMB19,984,000 to BGC at a consideration of approximately RMB19,984,000.
- (c) disposed of a parcel of land located at Fatou region of Chaoyang District, Beijing with a total area of 16,500 square meters and the buildings erected thereon (the "Building") at an aggregate consideration of approximately RMB11,490,000 to BGC with a gain on disposal of approximately RMB1,342,000 recognised during the year.
- (d) disposed of machinery, including transformers, air conditioning system, cranes, which are ancillary to the Buildings at an aggregate consideration of RMB3,163,000 to BGC with a gain on disposal of approximately RMB940,000 recognised during the year.
- (e) entered into a relocation compensation agreement with BGC, pursuant to which BGC compensated the Group amounting to approximately RMB10,747,000 in respect of relocating the production facilities of a subsidiary from the Building and the relocation expenses incurred or will be incurred. During the year, approximately RMB4,661,000 has been recognised as other operating income and the remaining sum of approximately RMB6,086,000 has been recognised as deferred income.
- (f) granted an exclusive right to BGC to use a patented technology for 50 years in the PRC for manufacturing and selling the quarto four-color lithographic printing machines (the "Patented Technology") at a consideration of approximately RMB2,180,000. The Company shall retain the right to use the Patented Technology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2010

42. Related Parties Disclosure (cont'd)

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:

	2010 RMB'000	2009 RMB'000
Short-term benefits	1,705	2,053
Post-employment benefits	61	78
	1,766	2,131

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.

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
			2010		2009			
			Directly	Indirectly	Directly	Indirectly		
Beijing Beiren Fuji Printing Machinery Company Limited	Sino-foreign equity joint venture enterprise	PRC	70%	-	70%	-	USD5,100,000	Manufacture of form printing presses
Beijing Beiren Jingyan Printing Machinery Factory	Limited liability company	PRC	99.76%	-	99.76%	-	RMB21,050,000	Manufacture of accessories for printing presses
Beijing Beiren Yuxin	Limited liability company	PRC	-	-	68.66%	-	RMB22,430,000	Provision of magazine and book printing support
Haimen Beiren	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%	-	86.24%	-	RMB115,000,000	Sale of printing machines and accessories for printing presses
Beiren Yi Xin	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.

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 2010, 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 2010, 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 2010, and the results of operations and cash flows of the Company for the year then ended.

ShineWing Certified Public Accountants

17 March 2011

CONSOLIDATED BALANCE SHEET

Unit: RMB

Assets	Appendix	Consolidated Amount	
		31 December 2010	31 December 2009
Current Assets:			
Cash	VIII.1	119,043,008.51	119,427,989.19
Tradable Financial Assets			
Notes Receivable	VIII.2	35,414,560.16	16,707,773.38
Accounts Receivable	VIII.3	203,110,996.56	255,167,926.90
Advances to Suppliers	VIII.4	19,783,787.32	18,600,020.19
Interests Receivable			
Dividends Receivable			
Other Accounts Receivable	VIII.5	18,269,692.57	30,339,203.74
Inventory	VIII.6	349,628,293.09	489,304,032.64
Non-current Assets Maturing within One Year			
Other Current Assets			
Total Current Assets		745,250,338.21	929,546,946.04
Non-current Assets			
Financial Assets Available for Sale			
Holding to Maturity Investment			
Long-term Accounts Receivable			
Long-term Equity Investment	VIII.7	15,567,084.36	15,100,595.32
Investment Property	VIII.8	6,927,332.93	15,047,905.79
Fixed Assets	VIII.9	568,054,568.92	626,730,021.57
Construction In Progress	VIII.10	2,945,090.11	4,279,083.99
Project Materials			
Disposal of Fixed Assets			
Intangible Assets	VIII.11	106,507,925.87	126,907,626.93
Goodwill			
Long-term Prepayments	VIII.12	9,367,320.00	11,930,291.10
Deferred Income Tax Assets	VIII.13	2,741,017.74	8,240,076.76
Other Non-current Assets			
Total Non-current Assets		712,110,339.93	808,235,601.46
Total Assets		1,457,360,678.14	1,737,782,547.50

Legal Person: Zhao Guorong

Accounting Director: Zhang Peiwu

Accounting Manager: Duan Yuangang

CONSOLIDATED BALANCE SHEET

Unit: RMB

Assets	Appendix	Consolidated Amount	
		31 December 2010	31 December 2009
Current Liabilities:			
Short-term Loan	VIII.15	139,750,000.00	314,850,000.00
Tradable Financial Liabilities			
Notes Payable	VIII.16	14,000,000.00	13,900,000.00
Accounts Payable	VIII.17	298,873,675.48	379,540,583.68
Advances from Customers	VIII.18	97,701,982.19	94,623,242.70
Employee Benefit Payable	VIII.19	50,202,158.38	60,887,647.63
Taxes Payable	VIII.20	8,844,991.23	15,398,299.09
Interests Payable		133,487.50	1,096,962.50
Dividends Payable			
Other Payables	VIII.21	48,964,316.34	47,306,528.19
Non-current Liabilities Maturing Within One Year	VIII.22	29,550,000.00	
Other Current Liabilities	VIII.23	1,906,616.57	1,149,600.00
Total Current Liabilities		660,377,227.69	958,302,863.79
Non-Current Liabilities			
Long-term Loan	VIII.24	18,000,000.00	24,000,000.00
Bonds Payable			
Long-term Accounts Payable			
Special Payable	VIII.25	15,704,528.59	9,100,538.23
Estimated liabilities	VIII.26	592,807.38	266,891.98
Deferred Income Tax Liabilities			
Other Non-current Liabilities	VIII.27	1,573,292.21	2,803,300.68
Total Non-current Liabilities		35,870,628.18	36,170,730.89
Total Liabilities		696,247,855.87	994,473,594.68
Shareholder's Equity			
Stock	VIII.28	422,000,000.00	422,000,000.00
Capital Reserves	VIII.29	522,877,777.87	523,020,271.06
Less: Treasury Stock			
Special Reserve			
Surplus Reserves	VIII.30	43,172,707.88	43,172,707.88
General Risk Reserves			
Undistributed Profit	VIII.31	-243,051,077.92	-265,330,459.45
Converted Difference in Foreign Currency Statements			
Total Shareholder's Equity Attributed to the Parent		744,999,407.83	722,862,519.49
Minority Shareholder's Equity	VIII.32	16,113,414.44	20,446,433.33
Total Shareholder's Equity		761,112,822.27	743,308,952.82
Total Liabilities and Shareholder's Equity		1,457,360,678.14	1,737,782,547.50

Legal Person: Zhao Guorong

Accounting Director: Zhang Peiwu

Accounting Manager: Duan Yuangang

CONSOLIDATED INCOME STATEMENT

Unit: RMB

Items	Appendix	Consolidated Amount	
		Jan-Dec, 2010	Jan-Dec, 2009
1. Total Operating Income		821,357,719.69	767,668,587.26
Operating Income	VIII.33	821,357,719.69	767,668,587.26
2. Total Operating Cost		984,532,372.93	959,517,572.80
Operating Cost	VIII.33	675,763,338.91	696,576,006.76
Tax and Additional Expense	VIII.34	5,564,191.62	5,887,447.78
Sales Expense	VIII.35	76,234,466.33	62,853,173.79
Administrition Expense	VIII.36	134,817,623.08	137,657,853.14
Financial Expense	VIII.37	18,043,294.08	21,320,442.95
Assets Impairment Losses	VIII.38	74,109,458.91	35,222,648.38
Add: Income of Fair Value Change (loss marked "-")			
Investment Income (loss marked "-")	VIII.39	172,505,755.82	1,252,917.09
Thereinto: Investment Income to Subsidiaries and Joint Venture		466,489.04	622,102.42
Exchange Gain and Loss (loss marked "-")			
3. Operating Profit (loss marked "-")		9,331,102.58	-190,596,068.45
Add: Non-operating Income	VIII.40	16,766,285.66	11,778,448.32
Less: Non-operating Expense	VIII.41	1,127,810.83	1,172,291.14
Thereinto: Disposal Loss of Non-current Assets		496,899.73	536,582.61
4. Total Profit (loss marked "-")		24,969,577.41	-179,989,911.27
Less: Income Tax Expense		5,499,059.02	-472,283.54
5. Net Profit	VIII.42	19,470,518.39	-179,517,627.73
Thereinto: Net Profit Attributed to the Parent's Shareholders		22,279,381.53	-174,004,582.85
Minority Shareholder's Equity		-2,808,863.14	-5,513,044.88
6. Earnings Per Share:			
(1) Basic Earnings Per Share		0.05	-0.41
(2) Earnings Per Diluted Share		0.05	-0.41
7. Other Comprehensive Income			
8. Total Comprehensive Income		19,470,518.39	-179,517,627.73
Total Comprehensive Income of the Parent's Shareholders		22,279,381.53	-174,004,582.85
Total Comprehensive Income of the Minority Shareholders		-2,808,863.14	-5,513,044.88

Legal Person: **Zhao Guorong**

Accounting Director: **Zhang Peiwu**

Accounting Manager: **Duan Yuangang**

CONSOLIDATED CASH FLOW STATEMENT

Unit: RMB

Items	Appendix	Consolidated Amount	
		Jan-Dec, 2010	Jan-Dec, 2009
1. Cash Flow From Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		723,179,036.82	780,471,150.93
Receipts of taxes and levy refunds		165,759.86	1,217,165.41
Other Cash receipts in operating activities	VIII.44	33,485,213.41	14,819,277.49
Subtotal Cash Flow-in From Operating Activities		756,830,010.09	796,507,593.83
Cash payments for goods and services acquired		445,848,350.60	374,745,392.67
Cash payments to and on behalf of employees		194,476,773.15	214,815,619.33
Payments of taxes and levy		65,551,649.89	55,560,425.09
Other cash payments from Operating Activities	VIII.44	44,435,831.18	30,726,562.14
Subtotal Cash Flow-out From Operating Activities		750,312,604.82	675,847,999.23
Net Cash Flow From Operating Activities		6,517,405.27	120,659,594.60
2. Cash Flow From Investing Activities:			
Cash receipts from return of investments		4,695,247.90	
Cash receipts from investment income			
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets		16,427,381.09	384,058.00
Net cash receipts from disposal of subsidiaries and other business units		189,044,834.18	50,000.00
Other cash receipts in investing activities			
Total Cash Flow-in From Investing Activities		210,167,463.17	434,058.00
Cash payments to acquired fixed assets, intangible assets and other long-term assets		2,683,349.37	3,779,443.58
Cash payments to acquired investments		18,075,270.64	
Net cash payment to acquired subsidiaries and other business units			
Other cash payments in investing activities	VIII.44	872,485.07	
Total Cash Flow-out From Investing Activities		21,631,105.08	3,779,443.58
Net Cash Flow From Investing Activities		188,536,358.09	-3,345,385.58
3. Cash Flow From Financing Activities:			
Cash proceeds from absorbing investment			
Thereinto: cash receipts from absorbing minority shareholders' investment by subsidiary		319,250,000.00	414,450,000.00
Cash receipts from borrowings			
Cash receipts from bonds issuing			
Other cash receipts in financing activities			
Total Cash Flow-in From Financing Activities		319,250,000.00	414,450,000.00
Cash repayments of amount borrowed		488,400,000.00	458,657,750.00
Cash payments for distribution of dividends, profits or interest expenses		17,887,765.01	19,687,961.52
Thereinto: subsidiary's payment for minority shareholders' interest and profit			
Other cash payments in financing activities	VIII.44	9,331,111.79	8,051,346.07
Subtotal Cash Flow-out From financing Activities		515,618,876.80	486,397,057.59
Net Cash Flow From Financing Activities		-196,368,876.80	-71,947,057.59
4. Effect of exchange rate change on cash and cash equivalent		-29,151.52	-20,802.25
5. Net Increased Cash and Cash Equivalent Add: the Beginning Balance of Cash and Cash Equivalent	VIII.44	-1,344,264.96	45,346,349.18
	VIII.44	111,849,650.31	66,503,301.13
6. The Ending Balance of Cash and Cash Equivalent	VIII.44	110,505,385.35	111,849,650.31

Legal Person: Zhao Guorong

Accounting Director: Zhang Peiwu

Accounting Manager: Duan Yuangang

CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

Jan-Dec, 2010

Unit:RMB

Items	Amount for the Current Period									
	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
1. The ending balance for last year	422,000,000.00	523,020,271.06			43,172,707.88		-265,330,459.45		20,446,433.33	743,308,952.82
Add: Changes in Accounting Policies										-
Corrections for previous errors										-
Others										-
2. The beginning balance of this year	422,000,000.00	523,020,271.06	-	-	43,172,707.88	-	-265,330,459.45		20,446,433.33	743,308,952.82
3. Increase and decrease for this year (decrease represents as "-")	-	-142,493.19	-	-	-	-	22,279,381.53	-4,333,018.89	17,803,869.45	17,803,869.45
(1) Net profit							22,279,381.53	-2,808,863.14	19,470,518.39	19,470,518.39
(2) Profits and losses directly recorded in shareholder's equity										-
Subtotal of (1) and (2)	-	-	-	-	-	-	22,279,381.53	-2,808,863.14	19,470,518.39	19,470,518.39
(3) Shareholders Investing and Reducing Capital	-	-142,493.19	-	-	-	-	-	-1,524,155.75	-1,666,648.94	-1,666,648.94
I.Shareholders investing capital										-
II.Shares payment in shareholder's equity										-
III.Others		-142,493.19						-1,524,155.75	-1,666,648.94	-1,666,648.94
(4) Profit distribution (*-stated for decrease)	-	-	-	-	-	-	-	-	-	-
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 Reserves	-	-	-	-	-	-	-	-	-	-
I.Amount provided for the current period										-
II. Amount expended for the current period										-
(7) Others										-
4. The ending balance for this year	422,000,000.00	522,877,777.87	-	-	43,172,707.88	-	-243,051,077.92		16,113,414.44	761,112,822.27

Legal Person: **Zhao Guorong**

Accounting Director: **Zhang Peiwu**

Accounting Manager: **Duan Yuangang**

CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

Jan-Dec, 2010

Items	Amount for the Current Period									Unit:RMB
	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
1. The ending balance for last year	422,000,000.00	523,020,271.06			198,928,288.88		-247,081,467.60		25,959,478.21	922,826,580.55
Add: Changes in Accounting Policies										-
Corrections for previous errors										-
Others										-
2. The beginning balance of this year	422,000,000.00	523,020,271.06	-	-	198,928,288.88	-	-247,081,467.60	-	25,959,478.21	922,826,580.55
3. Increase and decrease for this year										
decrease represents as '-'	-	-	-	-	-155,755,581.00	-	-18,249,001.85	-	-5,513,044.88	-179,517,827.73
(1) Net profit							-174,004,582.85		-5,513,044.88	-179,517,827.73
(2) Profits and losses directly recorded in shareholder's equity										-
Subtotal of (1) and (2)	-	-	-	-	-	-	-174,004,582.85	-	-5,513,044.88	-179,517,827.73
(3) Shareholders Investing and Reducing Capital										
I. Shareholders investing capital										-
II. Shares payment in shareholder's equity										-
III. Others										-
(4) Profit distribution ("-" stated for decrease)										
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 Reserves										
I. Amount provided for the current period										-
II. Amount expended for the current period										-
(7) Others										-
4. The ending balance for this year	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: **Zhao Guorong**

Accounting Director: **Zhang Peiwu**

Accounting Manager: **Duan Yuangang**

BALANCE SHEET OF THE PARENT

		<i>Unit: RMB</i>	
Assets	<i>Appendix</i>	31 December 2010	31 December 2009
Current Assets:			
Cash		74,222,278.37	86,568,028.75
Tradable Financial Assets			
Notes Receivable		26,668,560.16	12,097,000.00
Accounts Receivable	<i>XVI.1</i>	154,601,863.77	207,351,175.53
Advances to Suppliers		806,136.63	4,489,060.17
Interests Receivable			
Dividends Receivable			
Other Accounts Receivable	<i>XVI.2</i>	9,406,209.57	7,287,587.74
Inventory		231,094,440.03	328,286,547.25
Non-current Assets maturing within One Year			
Other Current Assets			
Total Current Assets		496,799,488.53	646,079,399.44
Non-current Assets			
Financial Assets Available for Sale			
Holding to Maturity Investment			
Long-term Accounts Receivable			
Long-term Equity Investment	<i>XVI.3</i>	165,379,783.62	216,161,294.58
Investment Property		6,927,332.93	15,047,905.79
Fixed Assets		443,749,651.03	474,875,268.15
Construction in Progress		1,580,197.43	1,697,564.49
Project Materials			
Disposal of Fixed Assets			
Intangible Asset		86,668,493.77	101,841,698.56
Goodwill			
Long-term Prepayments		9,367,320.00	11,930,291.10
Deferred Income Tax Assets			
Other Non-current Assets			
Total Non-current Assets		713,672,778.78	821,554,022.67
Total Assets		1,210,472,267.31	1,467,633,422.11

Legal Person: **Zhao Guorong**

Accounting Director: **Zhang Peiwu**

Accounting Manager: **Duan Yuangang**

BALANCE SHEET OF THE PARENT

Unit: RMB

Liabilities and Shareholder's Equity	Appendix	31 December 2010	31 December 2009
Current Liabilities:			
Short-term Loan		70,000,000.00	230,000,000.00
Tradable Financial Liabilities			
Notes Payable			
Accounts Payable		212,325,442.83	267,557,367.34
Advances from Customers		8,698,989.63	27,758,177.71
Employee Benefit Payable		29,469,396.62	35,728,556.25
Taxes Payable		5,563,471.31	7,866,507.28
Interests Payable		133,487.50	1,096,962.50
Dividends Payable			
Other Payables		60,515,233.00	60,805,936.32
Non-current Liabilities Maturing Within One Year			
Other Current Liabilities		1,356,816.01	650,000.00
Total Current Liabilities		388,062,836.90	631,463,507.40
Non-Current Liabilities			
Long-term Loan			
Bonds Payable			
Long-term Accounts Payable			
Special Payable		9,618,808.71	9,100,538.23
Estimated liabilities		592,807.38	266,891.98
Deferred Income Tax Liabilities			
Other Non-current Liabilities		656,815.99	1,970,448.01
Total Non-current Liabilities		10,868,432.08	11,337,878.22
Total Liabilities		398,931,268.98	642,801,385.62
Shareholder's Equity			
Stock		422,000,000.00	422,000,000.00
Capital Reserves		518,165,762.89	517,456,262.71
less: Treasury Stock			
Special Reserve			
Surplus Reserves		38,071,282.24	38,071,282.24
General Risk Reserves			
Undistributed Profit		-166,696,046.80	-152,695,508.46
Total Shareholder's Equity		811,540,998.33	824,832,036.49
Total Liabilities and Shareholder's Equity		1,210,472,267.31	1,467,633,422.11

Legal Person: Zhao Guorong

Accounting Director: Zhang Peiwu

Accounting Manager: Duan Yuangang

INCOME STATEMENT OF THE PARENT

Items	Appendix	Jan-Dec, 2010	Unit: RMB Jan-Dec, 2009
1. Total Operating Income	XVI.4	444,841,323.34	444,517,937.99
Less: Operating Cost	XVI.4	384,570,303.04	428,242,334.18
Tax and Additional Expense		3,919,871.31	4,256,540.51
Sales Expense		39,381,651.43	34,374,499.39
Administration Expense		92,964,899.33	91,868,512.83
Financial Expense		11,720,401.04	13,208,931.53
Assets Impairment Losses		64,876,491.11	30,293,161.69
Add: Income of Fair Value Change (loss marked "-")			
Investment Income (loss marked "-")	XVI.5	125,610,576.88	-1,861,897.58
Thereinto: Investment Income to Subsidiaries and Joint Venture		466,489.04	622,102.42
2. Operating Profit (loss marked "-")		-26,981,717.04	-159,587,939.72
Add: Non-operating Income		13,809,278.22	6,946,867.77
Less: Non-operating Expense		828,099.52	375,274.84
Thereinto: Disposal Loss of Non-current Assets		482,184.12	198,912.98
3. Total Profit (loss marked "-")		-14,000,538.34	-153,016,346.79
Less: Income Tax Expense			-320,838.33
4. Net Profit		-14,000,538.34	-152,695,508.46

Legal Person: **Zhao Guorong**

Accounting Director: **Zhang Peiwu**

Accounting Manager: **Duan Yuangang**

CASH FLOW STATEMENT OF THE PARENT

Items	Appendix	31 December 2010	Unit: RMB 31 December 2009
1. Cash Flow From Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		361,787,537.64	439,834,188.80
Receipts of taxes and levy refunds		19,266,956.45	9,670,384.93
Other Cash receipts relating to operating activities			
Subtotal Cash Inflow From Operating Activities		381,054,494.09	449,504,573.73
Cash payments for goods and services acquired		217,207,928.17	164,242,675.78
Cash payments to and on behalf of employees		121,582,289.40	141,642,833.78
Payments of taxes and levy		39,069,690.14	31,809,184.26
Other cash payments relating to Operating Activities		35,152,105.06	20,998,949.02
Subtotal Cash Outflow From Operating Activities		413,012,012.77	358,693,642.84
Net Cash Flow From Operating Activities		-31,957,518.68	90,810,930.89
2. Cash Flow From Investing Activities:			
Cash receipts from return of investments			
Cash receipts from investment income			
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets		16,185,081.10	345,058.00
Net cash receipts from disposal of subsidiaries and other business units		195,154,423.09	50,000.00
Other cash receipts in investing activities		15,122,175.00	
Total Cash Inflow From Investing Activities		226,461,679.19	395,058.00
Cash payments to acquired fixed assets, intangible assets and other long-term assets		338,070.06	892,883.23
Cash payments to acquired investments		18,075,270.64	1,000,000.00
Net cash payment to acquired subsidiaries and other business units			
Other cash payments in investing activities		15,872,485.07	
Total Cash Outflow From Investing Activities		34,285,825.77	1,892,883.23
Net Cash Flow From Investing Activities		192,175,853.42	-1,497,825.23
3. Cash Flow From Financing Activities:			
Cash proceeds from absorbing investment			
Cash receipts from borrowings		245,000,000.00	315,500,000.00
Cash receipts from bonds issuing			
Other cash receipts in financing activities			
Total Cash Inflow From Financing Activities		245,000,000.00	315,500,000.00
Cash repayments of amount borrowed		405,000,000.00	353,607,750.00
Cash payments for distribution of dividends, profits or interest expenses		12,557,039.90	12,572,564.25
Other cash payments in financing activities			
Subtotal Cash Outflow From financing Activities		417,557,039.90	366,180,314.25
Net Cash Flow From Financing Activities		-172,557,039.90	-50,680,314.25
4. Effect of exchange rate changes on cash and cash equivalent		-7,045.22	-6,295.43
5. Net Increased In Cash and Cash Equivalent	XVI.6	-12,345,750.38	38,626,495.98
Add: the Beginning Balance of Cash and Cash Equivalent	XVI.6	86,568,028.75	47,941,532.77
6. The Ending Balance of Cash and Cash Equivalent	XVI.6	74,222,278.37	86,568,028.75

Legal Person: Zhao Guorong

Accounting Director: Zhang Peiwu

Accounting Manager: Duan Yuangang

STATEMENT OF MOVEMENT ON EQUITY OF THE PARENT

Jan-Dec, 2010

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			38,071,282.24		-152,695,508.46	824,832,036.49
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	-	-	38,071,282.24	-	-152,695,508.46	824,832,036.49
3. Increase and decrease for this year (decrease represents as "-")	-	709,500.18	-	-	-	-	-14,000,538.34	-13,291,038.16
(1) Net profit							-14,000,538.34	-14,000,538.34
(2) Profits and losses directly recorded in shareholder's equity								-
Subtotal of (1) and (2)	-	-	-	-	-	-	-14,000,538.34	-14,000,538.34
(3) Shareholders Investing and Reducing Capital	-	709,500.18	-	-	-	-	-	709,500.18
I. Shareholders investing capital								-
II. Shares payment in shareholder's equity								-
III. Others		709,500.18						709,500.18
(4) Profit distribution ("-" stated for decrease)	-	-	-	-	-	-	-	-
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 Reserves	-	-	-	-	-	-	-	-
I. Amount provided for the current period								-
II. Amount expended for the current period								-
(7) Others								-
4. The ending balance for this year	422,000,000.00	518,165,762.89	-	-	38,071,282.24	-	-166,696,046.80	811,540,998.33

The attached appendix is part of the financial statements.

Legal Person: **Zhao Guorong**

Accounting Director: **Zhang Peiwu**

Accounting Manager: **Duan Yuangang**

STATEMENT OF MOVEMENT ON EQUITY OF THE PARENT

Jan-Dec, 2010

Unit:RMB

Items	Statement of Movement on Equity of the Parent							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 '-')								
(1) Net profit					-155,755,581.00		3,060,072.54	-152,695,508.46
(2) Profits and losses directly recorded in shareholder's equity	-152,695,508.46	-152,695,508.46						-
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 ("-" stated for decrease)								
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 Reserves								
I. Amount provided for the current period								-
II. Amount expended for the current period								-
(7) Others								-
4. The ending balance for this year	<u>422,000,000.00</u>	<u>517,456,262.71</u>	<u>-</u>	<u>-</u>	<u>38,071,282.24</u>	<u>-</u>	<u>-152,695,508.46</u>	<u>824,832,036.49</u>

Legal Person: **Zhao Guorong**

Accounting Director: **Zhang Peiwu**

Accounting Manager: **Duan Yuangang**

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 on 16 July 1993. In accordance with the approval of the China Securities Regulatory Commission (“CSRC”) of the State Council, the H Shares and A Shares of the Company were listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC in 1993 and 1994 respectively.

Upon the approval of General Shareholders’ Meeting on 16 May 2001 and 11 Jun 2002 as well as the approval of document Zheng Jian Fa Xing Zi [2002] No. 133 issued by China Securities Regulatory Commission (“CSRC”) in 2002, during the period from 26 Dec 2002 to 7 January 2003, the Company issued 22,000,000 additional A Shares listed on the Shanghai Stock Exchange, with par value of RMB 1 Yuan. After the additional issues, the total outstanding shares of the Company are added up to 422,000,000 shares, among which 250,000,000 shares are state-owned institutional shares, 72,000,000 shares are inland public issues, 100,000,000 shares are offshore public issues. All shares are with par value 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.

Beiren Group Corporation has sold 21,000,000 unconditioned tradable shares through Shanghai Stock Exchange Bulk Exchange Platform on 6 Jan. 2010 and 7 Jan. 2010 respectively. On 2 Dec. 2010, Beiren Group Corporation has sold 20,000 unconditioned tradable shares to public on 2 Dec.2010, which accounts for 4.98% of total share rights hold by the Company. Up to 31 December 2010, Beiren Group Corporation has hold the state-owned institutional shares 201,620,000, as 47.78% of total share rights, which are all unconditioned floating shares; 120,380,000 shares which are 28.52% 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.

Beiren Group Corporation is the controller of the Company and the ultimate parent company is Beijing National Capital Mechanical And Electrical Holding Company Limited The Shareholders’ Meeting, as the authority of the Company, in accordance with laws, executes the resolution rights on significant events concerning with operation, financing, investment, profit distribution and etc. The Board of Directors is responsible for the Shareholders’ Meeting, legally executing the decision-making rights on operation; and the Management is responsible for implementation of events resolved by the Shareholders’ Meeting and the Board of Directors, and preside over the operational management of the Company as well.

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.

IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements

1. Accounting period

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

2. 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,

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements *(cont'd)*

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

(1) Transactions by foreign currency

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.

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 for which 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 for which 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 for which 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 of which 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 of which 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.

IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements *(cont'd)*

6. Financial assets and financial liabilities *(cont'd)*

(1) Financial assets *(cont'd)*

Except for the financial assets which are measured at fair value and of which 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 of which 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 of which 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.

(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 is difficult to be collected.

The provision is adopted for the possible bad debts. The impairment test is made separately or grouped at the ending period and recorded into the current profit and loss. For the receivables which can not be collected with solid evidence, the loss of bad debts will be recognized after the approval through the Company's process, and written-off against the provision of the bad debts.

(1) Individual Receivables above Significant Level

The basis or standard of judging the significant level of individual receivable	Consider individual receivables above RMB20,000,000.00 as significant receivables
Provision-making Method on individual receivables above significant level	The provision of bad debts is made according to the difference between the present value of future cash flows and the book value of receivables.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements *(cont'd)*

7. Provision for bad debts of receivables *(cont'd)*

(2) Receivables for which provision of bad debts made by groups

The basis of defining combinations	
Combination based on age accounts	Consider aging of receivables as credit risk characteristics
Method on making provision of bad debts based on combinations	
Combination based on age accounts	Provision of bad debts is made by aging analysis

The rate of bad debts provision according to aging analysis is as follows:

Aging	Rate (%)
Within 1 year	0
1-2 years	30
2-3 years	60
Above 3 years	100

(3) The provision of bad debts made for individual receivables below significant level

Reason for making provision separately	Individual receivables below significant level and the aging analysis can not reflect its risk characteristics
Method for making provision	Provision of bad debts is made by difference between the present value of future cash flows and the book value of receivables

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 of which 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.

IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements *(cont'd)*

9. Long-term equity investment *(cont'd)*

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 2010

IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements *(cont'd)*

10. Investment in real estate *(cont'd)*

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.

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:

Number	Classification	Useful life (year)	The rate of salvage value (%)	Depreciation rate (%)
1	Building	40	3	2.425
2	Machinery	8-14	3	12.125-6.929
3	Transportation Equipment	8	3	12.125
4	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.

IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements *(cont'd)*

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.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements *(cont'd)*

15. R&D expense *(cont'd)*

(5) The expenditures on the research and development of the intangible asset can be measured reliably.

If the expenditures can not meet the above criteria, they will be accounted into 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.

IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements *(cont'd)*

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.

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.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

IV. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements *(cont'd)*

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.

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 at the original book value.

V. Significant changes in accounting policies and accounting estimates, corrections of accounting errors to the prior period

None

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VI. 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	VAT or Business tax payable	5-7
Education Surcharges	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
Beijing Beiren Jingyan Printing Machinery Factory	25

2. Taxation Benefits and Approval

Shaanxi Beiren Printing Machinery Co., Ltd. (hereinafter called "Shaanxi Beiren") 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 2010

VII. 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	Amount for which is written-off the Current Loss Borne by Minority Shareholders	Amount for which is written-off the Current Loss Borne of the Beginning Equity
Subsidiaries acquired under non-common control												
Shaanxi Beiren Printing Machinery Co., Ltd.	Limited Liability company	Weinan City, Shaanxi Province	11,500	Printing, packaging, engineering machinery, electric equipments and accessories manufacture, sales, maintenance, typing and printing machinery	9,918.00	0.00	86.24	86.24	Yes	8,842,163.05	0.00	0.00
Other Acquired Subsidiaries												
Beijing Beiren Fuji Printing Machinery Co., Ltd.	Sino-Foreign Equity Joint Venture Enterprise	Chaoyang District, Beijing City	USD510	Manufacturing printing machine, selling self-manufactured products	2,963.27	0.00	70.00	70.00	Yes	8,001,959.15	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	19,384.75	0.00	0.00

2. The change of the scope of consolidated financial statements

- There is no newly consolidated company during this period.
- The companies not included in the consolidation scope during this period:

Name	Reason	Shareholding Proportion (%)	Net Asset on Disposal Date	Net Profit on Disposal Date
Beiren Yixin (Beijing) Technology Development Co., Ltd	Equity sold out	100	22,108,286.79	-258,462.79
Beiren Yuxin Offset Printing Company Limited	Equity sold out	68.66	58,786.59	1,057.96
Haimen Beiren print machinery Co., Ltd.	Equity sold out	100	10,624,144.70	-2,618,881.21

Subsidiary that lose controlling power because of selling shares

Name	Sales date	Profit and loss method
Beiren Yixin (Beijing) Technology Development Co., Ltd.	31 Oct 2010	equity method
Beijing Beiren Yuxin Offset Printing Company Limited	31 Jan 2010	equity method
Haimen Beiren Print Machinery Co., Ltd.	30 Sep 2010	equity method

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VIII. Notes of Main Items of Consolidated Financial Statements

Following disclosed financial Statement data, except special indicates, "the beginning of the year" refers to 1st January, 2010, "the end of the period" refers to 31 Dec 2010, "this period" refers to the year from 1 January 2010 to 31 Dec 2010, "last period" refers to the year from 1st January 2010 to 31 Dec 2010, the monetary unit is CHY.

1. Monetary fund

Item	31 Dec 2010			1 Jan 2010		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Cash on hand			9,019.13			20,238.66
Including: CHY	8,946.73		8,946.73	17,273.21		17,273.21
USD	0.00		0.00	429.00	6.8282	2,929.30
YEN	890.97	0.0813	72.40	489.84	0.0738	36.15
Bank deposit			110,496,366.22			112,120,067.06
Including: CHY	107,491,207.80		107,491,207.80	111,472,782.44		111,472,782.44
USD	431,376.52	6.6227	2,884,591.52	78,009.09	6.8282	532,661.67
HKD	76,402.21	0.8509	65,010.64	76,386.73	0.8805	67,258.52
YEN	663,946.00	0.0813	54,044.72	641,794.44	0.0738	47,364.43
EURO	0.26	8.8065	1,511.54	0.00		0.00
Other monetary funds			8,537,623.16			7,287,683.47
CHY	8,537,623.16		8,537,623.16	7,287,683.47		7,287,683.47
Total	-	-	119,043,008.51	-	-	119,427,989.19

As of 31 Dec. 2010, other monetary fund including the bank acceptance notes guarantee deposit amounts to RMB4,207,623.16 and the credit letter guarantee deposit amounts to RMB4,330,000.00.

2. Notes receivable

(1) Category

Category	31 Dec 2010	1 Jan 2010
Bank acceptance notes	35,414,560.16	16,707,773.38

(2) Notes receivable for the pledge at the end of the period

Category	Issuing Company	Issuing date	Expiration date	Amount
Bank acceptance notes	Yichang Hongyu Plastic Co., Ltd.	2010.9.16	2011.3.16	500,000.00
Bank acceptance notes	Yichang Hongyu Plastic Co., Ltd.	2010.9.16	2011.3.16	500,000.00
Bank acceptance notes	Yichang Hongyu Plastic Co., Ltd.	2010.9.16	2011.3.16	500,000.00
Bank acceptance notes	Yichang Hongyu Plastic Co., Ltd.	2010.9.16	2011.3.16	500,000.00
Bank acceptance notes	Yichang Hongyu Plastic Co., Ltd.	2010.9.16	2011.3.16	526,000.00
Total				2,526,000.00

(3) The end of the period, there is no notes receivables transferred to accounts receivables, because of the drawer's inability to perform..

(4) Closing balance of notes receivable balances increase of 111.96% compared with the beginning of this year, because the Company strengthened its efforts to recover debts of the period.

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

Category	Issuing Company	Issuing date	Maturity date	Amount
Bank acceptance notes	Jinyu(Henan)Package Co., Ltd.	2010.11.23	2011.5.23	5,000,000.00
Bank acceptance notes	Yuandong International Lease Co.,Ltd.	2010.9.21	2011.3.21	2,620,000.00
Bank acceptance notes	Ningbo Paper Printing Development Co.,Ltd.	2010.9.8	2011.3.8	2,283,000.00
Bank acceptance notes	Zhengzhou Luolan Industry Co.,Ltd.	2010.12.1	2011.6.1	2,150,000.00
Bank acceptance notes	Henan Ruiyang Printing Co.,Ltd.	2010.8.25	2011.2.25	2,000,000.00
Total				14,053,000.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VIII. Notes of Main Items of Consolidated Financial Statements (cont'd)

3. Accounts receivable

(1) Classification for accounts receivable

Item	31 Dec 2010				1 Jan 2010			
	Book value Amount	Percent%	Bad debts Amount	Percent%	Book value Amount	Percent%	Bad debts Amount	Percent %
Individual receivables above significant level	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Receivables for which provision of bad debts made on basis of combinations	-	-	-	-	-	-	-	-
Combination based on age accounts	260,684,283.53	86.69	74,086,765.53	28.42	305,231,966.68	88.37	77,394,430.52	25.36
Individual receivables below significant level	40,020,404.03	13.31	23,506,925.47	58.74	40,182,606.09	11.63	12,852,215.35	31.98
Total	300,704,687.56	-	97,593,691.00	-	345,414,572.77	-	90,246,645.87	-

The consolidation scope of financial statements changed in this period and accounts receivable decreased RMB31,320,000

Receivables for which provision of bad debts made on basis of combinations:

Item	31 Dec 2010			1 Jan 2010		
	Amount	Percent (%)	Provision of bad debts	Amount	Percent (%)	Provision of bad debts
Within 1 year	144,764,618.09	0.00	0.00	172,858,981.25	0.00	0.00
1-2 years	47,549,397.53	30.00	14,264,819.26	57,782,121.58	30.00	17,334,636.47
2-3 years	21,370,804.09	60.00	12,822,482.45	36,327,674.49	60.00	21,796,604.69
Above 3 years	46,999,463.82	100.00	46,999,463.82	38,263,189.36	100.00	38,263,189.36
Total	260,684,283.53	-	74,086,765.53	305,231,966.68	-	77,394,430.52

(2) Individual receivables below significant level at the end of period

Company Name	Amount	Bad debts provision	Rate (%)	Reason for bad debts provision
Note 1	27,257,584.79	23,506,925.47	86.24	Difficult to collect
Note 2	12,762,819.24	0.00	92.13	Difficult to collect
Total	40,020,404.03	23,506,925.47	-	-

Note 1: There is RMB27,257,584.79 long-aged accounts receivables of which balance payment difficult to collect and there are RMB23,506,925.47 making provision separately

Note 2: Several long-term customers are in frequent transactions with the Company and adopt the order trade, hence those accounting receivable are in shorter age. There are 62 items of accounting receivables which amount to RMB12,762,819.24 and the provision of bad debts has not been made on them.

(3) Collection of bad debts during this period

Company Name	Amount	Accumulated bad debts before collection	Collected amount during this period	Basis on bad debts provisions	Reason for reversal
Fujian Jinjiang daxing Color Printing Co.Ltd.	100,000.00	100,000.00	100,000.00	Expected difficult to collect due to long age	All collected
Qingdao Jifu Package Co.Ltd.	126,100.00	126,100.00	126,100.00	Expected difficult to collect due to long age	Partly collected
Qingdao Jinlong Package Co., Ltd.	314,000.00	314,000.00	50,000.00	Expected difficult to collect due to long age	Partly collected
Kunshan Jiapu Packaging Material Co.,Ltd.	950,000.00	950,000.00	760,000.00	Expected difficult to collect due to long age	Partly collected
Jinjiang Brothers Color Printing Co., Ltd.	130,000.00	130,000.00	40,000.00	Expected difficult to collect due to long age	Partly collected
Shanghai Siqian Label Co., Ltd.	140,000.00	140,000.00	85,000.00	Expected difficult to collect due to long age	Partly collected
Total	1,760,100.00	1,760,100.00	1,161,100.00	-	-

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VIII. Notes of Main Items of Consolidated Financial Statements (cont'd)

3. Accounts receivable (cont'd)

- (4) Accounts receivable written off in this period amounts to RMB668,927.50.
- (5) The details of the balance of the account receivables excludes from shareholders who hold 5% or more of the Company's shares.
- (6) The top five companies in accounts receivables:

Company Name	Relationship	Amount	Age	Proportion in Accounts Receivable (%)
Zhongti (Beijing) Colour Printing Co., Ltd.	Customer	19,360,000.00	1-2 years	6.44
Jiangxi Daily Printing Center	Customer	9,860,000.00	Within 1 year	3.28
Chengdu Beiren Printing Materials Corporation	Customer	8,029,999.94	2-3 years	2.67
Suzhou Daily	Customer	6,086,000.00	1-2 years	2.02
Linyi Daily	Customer	5,780,000.00	Within 1 year	1.92
Total	-	49,115,999.94	-	16.33

(7) Related parties of accounts receivable

Company Name	Relationship	Amount	Proportion in accounts receivable (%)
Haimen Beiren Print Machinery Co., Ltd.	Other enterprise controlled by the same parent company	232,896.78	0.08
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	Associated company	1,793,559.08	0.60
Total		2,026,455.86	0.68

The other receivables from Haimen Beiren Print Machinery Co., Ltd. should be prepaid accounts and was collected in 2011.

(8) Account receivables contains following balances in foreign currencies:

Foreign currency	30 Jun 2010			1 Jan 2010		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange Rate	RMB
USD	468,610.00	6.6227	3,103,463.45	894,751.80	6.8282	6,109,544.26

4. Advances to suppliers

(1) Aging of advances to suppliers

Item	31 Dec 2010		1 Jan 2010	
	Amounts	Percentage %	Amounts	Percentage %
Within 1 year	19,026,250.35	96.17	17,245,236.87	92.72
1-2 years	254,948.99	1.29	718,652.08	3.86
2-3 years	311,020.32	1.57	444,563.58	2.39
Over 3 years	191,567.66	0.97	191,567.66	1.03
Total	19,783,787.32	100.00	18,600,020.19	100.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VIII. Notes of Main Items of Consolidated Financial Statements (cont'd)

4. Advances to suppliers (cont'd)

(2) The main unit of advances to suppliers

Name	Relationship with the Company	Amount	Aging	Reasons for pending
Gao De Ke (Shanghai) Trading Co., Ltd.	company's suppliers	1,742,000.00	within a year	not completed
B & R Industrial Automation International Trade Company	company's suppliers	1,738,174.47	within a year	not completed
Shanghai Lihong Printing Material Co., Ltd.	company's suppliers	874,050.00	within a year	not completed
Shanghai Bosch Rexroth Hydraulics and Automation Ltd.	company's suppliers	866,878.97	within a year	not completed
Foshan Kar Ming Industrial Equipment Co., Ltd.	company's suppliers	854,500.00	within a year	not completed
Total		6,075,603.44		

(3) The details of the balance of the advances to suppliers excludes from shareholders who hold 5% or more of the Company's shares.

(4) Advances to suppliers contains following balances in foreign currencies:

Foreign currency	31 Dec 2010			1 Jan 2010		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange Rate	RMB
USD	0.00		0.00	72,121.08	6.8282	492,457.16
EURO	24,931.00	8.8065	215,586.76	0.00		0.00
YEN	18,488,865.00	0.08126	1,468,909.98	1,935,776.56	0.0738	142,860.31
Total			1,684,496.74			635,317.47

5. Other receivables

(1) Classification for other receivables

Item	31Dec 2010				1 Jan 2010			
	Book value		Bad debts		Book value		Bad debts	
	Amount	Percent %	Amount	Percent %	Amount	Percent %	Amount	Percent %
Individual other receivables above significant level	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Receivables for which provision of bad debts made on basis of combinations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Individual other receivables below significant level	33,286,493.07	100.00	15,016,800.50	45.11	45,550,358.57	100.00	15,211,154.83	33.39
Total	33,286,493.07	-	15,016,800.50	-	45,550,358.57	-	15,211,154.83	-

The consolidation scope of financial statements changed in this period and other receivable decreased RMB15,540,000

(2) Individual other receivables below significant level at the end of period

Company Name	Amount	Bad debts provision	Rate (%)	Reason for bad debts provision
Note 1	15,016,800.50	15,016,800.50	100.00	Expected difficult to collect
Note 2	18,269,692.57	0.00		
Total	33,286,493.07	15,016,800.50	-	-

Note 1: The Company made provisions on 27 items of other receivables amounting to RMB15,016,800.50 which are in longer age and difficult to collect.

Note 2: For reservation fund of employees, receivables from parent company and equity repurchase receivables from China Huarong Asset Management Corporation Xi'an Branch amounting to RMB18,269,692.57; there is no bad debts provisions made on them.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VIII. Notes of Main Items of Consolidated Financial Statements (cont'd)

5. Other receivables (cont'd)

- (3) There is no reversal of bad debts provision during this period.
- (4) There is no actual write-off other receivables during this period.
- (5) **For the ending balance of other accounts receivable, debts from shareholders who hold over 5% (including 5%) of the Company's shares of voting right**

Company Name	31 Dec 2010		1 Jan 2010	
	Amount	Bad debt provision	Amount	Bad debt provision
Beiren Group Corporation	1,629,191.08	0.00	0.00	0.00

Other receivables from Beiren Group Corporation are the prepaid charge. RMB1,247,319.56 which the Company should pay to Beiren Group Corporation is accounted in other payables, and after the offset the receivable from Beiren Group Corporation is amounting to RMB381,871.52. The relevant money has been paid in 2011.

- (6) The top companies in other receivables:

Company Name	Relationship	Amount	Age	Proportion in accounts receivable (%)	Nature
Southeast Asia	Customer	9,088,241.00	Above 3 years	27.30	Note 1
China Huarong Asset Management Corporation Xi'an Branch	Minority shareholders of subsidiary	6,328,000.00	Above 3 years	19.01	Note 2
Total	-	15,416,241.00	-	46.31	-

Note 1: Other receivables from Southeast Asia are real estate project prepaid investment in Hong Kong Southeast Asia Group Investment & Development Co., Ltd in previous years. As that company was incorporated in Hong Kong and the proposed property investment is in Macau, clearance involved laws in Hong Kong and Macau with difficulties in collection or recognition of property investment, the possibility of collection is expected to be low and full bad debts provisions have been made.

Note 2: Other receivables from China Huarong Asset Management Corporation Xi'an Branch are equity repurchase. China Huarong Asset Management Corporation acquired shares by debt-to-equity swap and is able to quit by transfer, replacement or repurchase in accordance with rules of Shaanxi Beiren Group Corporation. The equity repurchase should be complemented before the end of 2006 and in equal amount each year; and China Huarong Asset Management Corporation Xi'an Branch made debt-to-equity swap of RMB15,820,000 and repurchase in five years. RMB6,328,000 in total should be returned in 2003 and 2004 and didn't write-off its investment by way of equity exit.

- (7) **The amounts due from related parties**

Company Name	Relation to the Company	Amount	Percent (%)
Beiren Group Corporation	Parent company	1,629,191.08	4.89
Haimen Beiren Print Machinery Co., Ltd.	Other company controlled by the same parent company	145,832.93	0.44
Beijing Monigraf Automations Co. Ltd.	Associated company	150,993.00	0.45
Total		1,926,017.01	5.78

The other receivables from Haimen Beiren Print Machinery Co., Ltd. should be prepaid accounts and was collected in 2011.

- (8) **Other receivables contains following balances in foreign currencies**

Foreign currency	31 Dec 2010			1 Jan 2010		
	Foreign currency	Exchange Rate	Amount (RMB)	Foreign currency	Exchange Rate	Amount (RMB)
HKD	10,305,296.52	0.8509	9,088,241.00	10,305,296.52	0.8805	9,088,241.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VIII. Notes of Main Items of Consolidated Financial Statements (cont'd)

6. Inventory

(1) Categories of inventories

Item	31 Dec 2010			1 Jan 2010		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	78,666,382.30	5,627,635.08	73,038,747.22	79,638,996.02	3,081,015.39	76,557,980.63
Work in progress	249,407,524.82	58,955,487.41	190,452,037.41	349,398,405.22	70,221,424.41	279,176,980.81
Storage goods	99,419,493.83	31,490,500.83	67,928,993.00	142,329,401.85	34,352,313.11	107,977,088.74
Low value consumables	324,238.49	0.00	324,238.49	1,826,160.40	0.00	1,826,160.40
Self made semi-finished goods	11,047,041.76	0.00	11,047,041.76	19,057,157.13	329,265.24	18,727,891.89
Work in process – outsourced	6,837,235.21	0.00	6,837,235.21	5,037,930.17	0.00	5,037,930.17
Total	445,701,916.41	96,073,623.32	349,628,293.09	597,288,050.79	107,984,018.15	489,304,032.64

The consolidation scope of financial statement in this period has been changed during this year and the amount of inventory decreased RMB31,250,000.

(2) Impairment provision for inventory

Item	1 Jan 2010	Increase	Decrease in this year		31 Dec 2010
			Reversal	Transferred out	
Raw materials	3,081,015.39	2,761,617.56	0.00	214,997.87	5,627,635.08
Work in progress	70,221,424.41	43,771,160.79	0.00	55,037,097.79	58,955,487.41
storage goods	34,352,313.11	10,935,873.64	0.00	13,797,685.92	31,490,500.83
Self made semi-finished goods	329,265.24	0.00	0.00	329,265.24	0.00
Total	107,984,018.15	57,468,651.99	0.00	69,379,046.82	96,073,623.32

(3) The consolidation scope of financial statement has been changed during this period and the impairment provision for inventory decreased by RMB496,500.

The Company intensified sales efforts on overstocked products this year and changeover inventory falling price reserves RMB68,882,500.

The Company made impairment test on those unsold overstocked products and unfinished work in process and made inventory falling price reserves RMB34,274,900.

The Company made transformation this year and some new products will be in small-batch trial production in 2011, hence the cost will be higher than that in normal batch and the Company made inventory falling price reserves of RMB20,432,200.

(4) The impairment provision method for inventory is referred to Note IV.8.

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

7. Long-term equity investments

(1) Categories of long-term equity investments

Item	31 Dec 2010	1 Jan 2010
Accounted in cost method	50,000.00	50,000.00
Accounted in equity method	15,567,084.36	15,100,595.32
Total	15,617,084.36	15,150,595.32
Less: provision for impairment on long-term equity investments	50,000.00	50,000.00
Net book value	15,567,084.36	15,100,595.32

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VIII. Notes of Main Items of Consolidated Financial Statements (cont'd)

7. Long-term equity investments (cont'd)

(2) Accounted in cost and equity method

Name of invested companies	Share holding %	Voting right %	Original amounts	1 Jan 2010	Increase	Decrease	31 Dec 2010	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	8,879,213.01	78,626.14	0.00	8,957,839.15	0.00
Beijing Beiyong Moulding Co., Ltd.	20	20	1,136,000.00	6,221,382.31	387,862.90	0.00	6,609,245.21	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	15,100,595.32	466,489.04	0.00	15,567,084.36	0.00
Total			27,401,000.00	15,150,595.32	466,489.04	0.00	15,617,084.36	0.00

(3) Investment in associated companies

Name of invested company	Share holding proportion (%)	voting rights proportion (%)	Total assets at the year end	Total liabilities at the year end	Net assets at the year end	Total operating income in this year	Net profit in this year
Associated Company							
Beijing Monigraf Automations Co. Ltd.	49	49	23,616,057.32	5,641,120.45	17,974,936.87	18,699,235.50	160,461.52
Beijing Beiyong Casting Co. Ltd.	20	20	76,994,768.21	43,948,542.21	33,046,226.00	109,107,086.82	1,939,314.51
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	49	49	90,140,777.78	149,870,096.92	-59,729,319.14	76,916,734.68	-28,081,399.04
Total			190,751,603.31	199,459,759.58	-8,708,156.27	204,723,057.00	-25,981,623.01

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

Company	1 Jan 2010	Provision	Reduces in Period	31 Dec 2010	Reason
Ying Shen Associated Company Limited	50,000.00	0.00	0.00	50,000.00	expected to be difficult to recover

8. Investment properties

(1) Accounted in cost methods

Item	1 Jan 2010	Increase	Decrease	31 Dec 2010
Original cost				
Buildings	23,046,189.70	0.00	15,060,011.90	7,986,177.80
Accumulated depreciation				
Buildings	7,998,283.91	518,320.97	7,457,760.01	1,058,844.87
Net book value				
Buildings	15,047,905.79			6,927,332.93
Impairment provision				
Buildings	0.00	0.00	0.00	0.00
Book value				
Buildings	15,047,905.79	-	-	6,927,332.93

The decrease of investment properties in this year is because that the Company transferred buildings which were originally leased to subsidiary, Beiren Fuji Print Machinery Co., Ltd.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VIII. Notes of Main Items of Consolidated Financial Statements (cont'd)

9. Fixed assets

(1) Fixed assets category

Item	1 Jan 2010	Increase	Decrease	31 Dec 2010
Original Cost	1,185,250,083.22	8,119,702.51	101,651,924.62	1,091,717,861.11
Building	580,678,226.55	2,992,032.42	13,661,829.16	570,008,429.81
Machinery	532,524,289.96	4,739,255.95	76,305,985.95	460,957,559.96
Transportation facilities	17,802,759.42	35,686.41	4,051,806.51	13,786,639.32
Office equipment	48,500,130.68	352,727.73	3,362,515.86	45,490,342.55
Others	5,744,676.61	0.00	4,269,787.14	1,474,889.47
		Increase of	Accrue ment	
		this year	this year	
Accumulated Depreciation	537,634,722.74	0.00	71,019,065.28	503,164,679.52
Building	120,521,523.54	0.00	16,095,634.73	134,436,260.34
Machinery	366,034,986.91	0.00	16,071,290.67	320,499,277.71
Transportation facilities	9,548,976.93	0.00	1,528,314.92	8,071,878.31
Office equipment	39,772,086.00	0.00	2,699,151.11	39,602,924.66
Others	1,757,149.36	0.00	154,630.63	554,338.50
Net book value	647,615,360.48	-	-	588,553,181.59
Building	460,156,703.01	-	-	435,572,169.47
Machinery	166,489,303.05	-	-	140,458,282.25
Transportation facilities	8,253,782.49	-	-	5,714,761.01
Office equipment	8,728,044.68	-	-	5,887,417.89
Others	3,987,527.25	-	-	920,550.97
impairment provision	20,885,338.91	0.00	386,726.24	20,498,612.67
Building	0.00	0.00	0.00	0.00
Machinery	20,770,338.91	0.00	386,726.24	20,383,612.67
Transportation facilities	115,000.00	0.00	0.00	115,000.00
Office equipment	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Net book value	626,730,021.57	-	-	568,054,568.92
Building	460,156,703.01	-	-	435,572,169.47
Machinery	145,718,964.14	-	-	120,074,669.58
Transportation facilities	8,138,782.49	-	-	5,599,761.01
Office equipment	8,728,044.68	-	-	5,887,417.89
Others	3,987,527.25	-	-	920,550.97

- For the increase in the fixed assets of the period, the amount of RMB3,008,066.77 was transferred from construction in progress. Among the increase in accumulated depreciation, the depreciation of RMB36,549,022.06 accrued in the year.
- Fixed assets this year, some houses and buildings collateral to the bank as a short-term loan guarantee, of which original value RMB68,115,699.76, net value RMB60,021,956.09.
- The consolidation scope of financial statement has changed this year and the net value of fixed assets decreased RMB26,262,300.

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

(3) There are no finance lease of fixed assets

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

Item	Book Value
Houses and buildings	88,021,389.01

(5) There is no fixed assets held for sale at the end of the year

(6) There are no fixed assets for which property licenses are not finished yet.

10. Construction in progress

Name	31 Dec 2010			1 Jan 2010		
	Book balance	provision	Book value	Book balance	provision	Book value
Construction	41,538.00	0.00	41,538.00	654,522.00	0.00	654,522.00
Equipments in installation	1,753,452.38	0.00	1,753,452.38	2,366,924.26	0.00	2,366,924.26
Others	1,150,099.73	0.00	1,150,099.73	1,257,637.73	0.00	1,257,637.73
Total	2,945,090.11	0.00	2,945,090.11	4,279,083.99	0.00	4,279,083.99

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VIII. Notes of Main Items of Consolidated Financial Statements (cont'd)

11. Intangible assets

Item	1 Jan 2010	Increase	Decrease	31 Dec 2010
Original Cost	148,336,721.77	0.00	20,692,920.00	127,643,801.77
Land use right	147,677,951.77	0.00	20,034,150.00	127,643,801.77
Software	658,770.00	0.00	658,770.00	0.00
Accumulated depreciation	21,429,094.84	2,722,453.18	3,015,672.12	21,135,875.90
Land use right	20,944,532.84	2,722,453.18	2,531,110.12	21,135,875.90
Software	484,562.00	0.00	484,562.00	0.00
Net book value	126,907,626.93	0.00	0.00	106,507,925.87
Land use right	126,733,418.93	0.00	0.00	106,507,925.87
Software	174,208.00	0.00	0.00	0.00
Impairment provision	0.00	0.00	0.00	0.00
Land use right	0.00	0.00	0.00	0.00
Software	0.00	0.00	0.00	0.00
Book value	126,907,626.93	0.00	0.00	106,507,925.87
Land use right	126,733,418.93	0.00	0.00	106,507,925.87
Software	174,208.00	0.00	0.00	0.00

- (1) Among the increasing of accumulated amortization, this year is RMB2,722,453.18
- (2) Some of land use right with original cost of RMB18,863,256.00 and net book value of RMB17,018,814.50 has been pledged to bank for short-term loans.
- (3) The decrease of land usage right of this year is the whole land usage right of the Company's subsidiary, Beiren Yixin (Beijing) Technology Development Co., Ltd. Up to Dec.31, 2010, Beiren Yixin's equity held by the Company has been transferred to parent company of the Company.

12. Long-term accrued expense

Items	1 Jan 2010	Increase	Decrease	Other reductions this year	31 Dec 2010	Reason for other reductions
Land development expense	11,930,291.10	0.00	44,000.00	2,518,971.10	9,367,320.00	Has been transferred

13. Deferred tax asset and deferred tax liabilities

(1) Recognized Deferred tax asset

Item	31 Dec 2010	1 Jan 2010
Deferred tax asset		
Asset impairment	2,741,017.74	7,723,350.72
Depreciation of fixed assets	0.00	158,543.66
Accrued staff salaries	0.00	358,182.38
Total	2,741,017.74	8,240,076.76

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

Items	31 Dec 2010	1 Jan 2010
Asset impairment	210,949,275.81	195,646,268.56
Tax losses	331,939,462.02	364,889,744.98
Total	542,888,737.83	560,536,013.54

Except for subsidiary of the Company, Shaanxi Beiren Printing Machinery Company Limited which earned profits this year, the Company as well as other subsidiaries was in continuous deficit and unable to acquire enough taxable income for offset in future period. Therefore, all of them didn't confirm deferred income tax assets and the subsidiary, Beijing Beiren Fuji Print Machinery Co., Ltd. reverse the deferred income tax assets originally confirmed.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VIII. Notes of Main Items of Consolidated Financial Statements (cont'd)

13. Deferred tax asset and deferred tax liabilities (cont'd)

(3) Tax losses of unrecognized deferred income tax assets will expire the following years

Item	31 Dec 2010
2011	9,232,332.73
2012	6,501,875.37
2013	134,815,673.71
2014	168,868,795.78
2015	12,520,784.43
Total	331,939,462.02

(4) Taxable differences

Items	Amount
Taxable differences	
Provision for bad debts	14,450,825.28
Provision for impairment in value of inventories	3,772,626.40
Impairment provision of long-term equity investment	50,000.00
Total	18,273,451.68

14. Provision of impairment for assets:

Item	1 Jan 2010	Increase	Decrease		31 Dec 2010
			Returning	Other transfers out	
Provision of impairment for bad debts	105,457,800.70	17,801,906.92	1,161,100.00	9,488,116.12	112,610,491.50
Provision of impairment for Inventory	107,984,018.15	57,468,651.99	0.00	69,379,046.82	96,073,623.32
Provision of impairment for long-term equity investments	50,000.00	0.00	0.00	0.00	50,000.00
Provision of impairment for Investment properties	0.00	0.00	0.00	0.00	0.00
Provision of impairment for fixed assets	20,885,338.91	0.00	0.00	386,726.24	20,498,612.67
Provision of impairment for project commodity	0.00	0.00	0.00	0.00	0.00
Provision of impairment for constructions in process	0.00	0.00	0.00	0.00	0.00
Provision of impairment for Intangible assets	0.00	0.00	0.00	0.00	0.00
Total	234,377,157.76	75,270,558.91	1,161,100.00	79,253,889.18	229,232,727.49

Because of change in consolidation scope this year, the provisions of bad debts decreased RMB8,819,188.62; Provision of impairment for Inventory decreased RMB496,535.32, and Provision of impairment for fixed assets decreased RMB290,071.82.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VIII. Notes of Main Items of Consolidated Financial Statements (cont'd)

15. Short-term loans

Type	31 Dec 2010	1 Jan 2010
Mortgaged bank loans	56,000,000.00	69,450,000.00
Guaranteed bank loans	13,750,000.00	15,400,000.00
Credit bank loans	70,000,000.00	230,000,000.00
Total	139,750,000.00	314,850,000.00

- (1) For the mortgaged bank loans at the end of year, fixed assets of which net value amounting to RMB60,021,956.09 and land use right of which net value amounting to RMB17,018,814.50 as collateral.
- (2) For the credit bank loans at the end of year, Beijing National Capital Mechanical And Electrical Holding Company Limited entrusted Bank of Beijing Jinyun Branch to make loans amounting to RMB70,000,000.00 to the Company, borrowing a period of two months, and the interest is not higher than bank lending rates over the same period.

16. Notes payable

Type of note	31 Dec 2010	1 Jan 2010
Bank Acceptance Note	14,000,000.00	13,900,000.00

The next fiscal year will be due in the amount of RMB14,000,000.00.

17. Accounts payable

(1) Accounts payable

Item	31 Dec 2010	1 Jan 2010
Total	298,873,675.48	379,540,583.68
Including: over one year	86,029,729.32	98,239,307.88

- 1) Accounts payable at the year end decreased by 21.25% compared with the year-began, mainly because the Company increased production volume and hence speed up payment to meet the production.
- 2) The consolidation scope of financial statement changed in this year and the accounts payable decreased by RMB41,541,500.00.

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

Name of the Company	31 Dec 2010	1 Jan 2010
Beiren Group Corporation	0.00	1,997,780.00

(3) Account payable contains following balances in foreign currencies

Foreign Currency	31 Dec 2010			1 Jan 2010		
	YEN	Exchange rate	RMB	YEN	Exchange rate	RMB
YEN	1,583,910.04	0.08126	128,708.53	1,498,134.42	0.0738	110,562.32

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VIII. Notes of Main Items of Consolidated Financial Statements (cont'd)

18. Advances from customers

(1) Advances from customers

Item	31 Dec 2010	1 Jan 2010
Total	97,701,982.19	94,623,242.70
Include: more than one year	12,336,059.34	10,095,261.43

- Receipts in advance which is more than one year are the contract not yet finished and the corresponding product not yet delivered.
- During this period, as the consolidation scope of financial statement changed, receipts in advance decreased by RMB2,824,500.00.

(2) 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.

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

Foreign Currency	31 Dec 2010			1 Jan 2010		
	USD	Exchange rate	RMB	USD	Exchange rate	RMB
USD	797,049.88	6.6227	5,278,934.59	298,894.11	6.8282	2,040,908.78
EURO	12,198.00	8.8065	107,421.69	0.00	0.00	0.00
Total			5,386,356.28			2,040,908.78

19. Employee compensation

Item	1 Jan 2010	Increase	Carry forward	31 Dec 2010
Salary (Including bonus and allowance)	2,058,643.00	108,056,189.65	106,997,151.81	3,117,680.84
Welfare	0.00	10,970,552.61	10,970,552.61	0.00
Social insurance	19,297,065.09	31,192,336.53	35,647,289.47	14,842,112.15
Including: medical insurance	7,646,116.92	9,246,930.70	12,133,112.47	4,759,935.15
Basic endowment insurance	11,468,290.44	19,298,705.60	20,724,760.05	10,042,235.99
Unemployment insurance	68,981.05	1,095,572.05	1,149,455.38	15,097.72
Industrial injury insurance	63,118.36	885,132.72	934,036.39	14,214.69
Fertility insurance	50,558.32	665,995.46	705,925.18	10,628.60
Housing fund	1,080,029.20	8,699,152.12	9,053,683.12	725,498.20
Labour union expenditure and employee education expenditure	2,347,245.36	3,760,213.68	3,512,622.07	2,594,836.97
Other welfare	0.00	14,264,703.63	14,264,703.63	0.00
Compensation for unemployment	-1,500.00	376,765.00	375,265.00	0.00
Estimated expense for employee retirement in advance	35,943,007.74	6,560,886.55	13,750,077.31	28,753,816.98
Others	163,157.24	66,987.00	61,931.00	168,213.24
Total	60,887,647.63	183,947,786.77	194,633,276.02	50,202,158.38

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

20. Tax payable

Tax category	31 Dec 2010	1 Jan 2010
Value added tax	6,444,557.76	8,727,807.17
Business tax	169,300.86	174,318.77
Enterprise income tax	-102,651.31	1,904,453.43
Individual tax	553,074.43	367,681.05
City construction tax	610,196.03	655,483.77
Property tax	-0.04	192,634.57
Land usage tax	47,136.18	1,921,218.49
Educational fees	525,139.45	759,697.74
Stamp tax	5,730.12	109,047.10
Water conservancy fund	592,507.75	585,957.00
Total	8,844,991.23	15,398,299.09

21. Other payables

(1) Other payables

Item	31 Dec 2010	1 Jan 2010
Total	48,964,316.34	47,306,528.19
Include: more than one year	17,773,263.11	33,511,865.84

(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 2010	1 Jan 2010
Beiren Group Corporation	1,247,319.56	13,641,380.51

For explanations, refer to Note VIII.5.

(3) Other payables in large amount at the end of the period

Items	Amount	Aging	Quality or content
Land remise fund (Note 1)	9,330,922.61	More than 3 years	Remise price
Beiren Group Corporation	1,247,319.56	Within 1 year	Trademark usage fee
Total	16,663,962.05		

Note1: The payable to Beijing Beiyong Casting Co. Ltd. is the public land remise fund owed to the government of the place where Beijing Casting located. As of 31 Dec 2010, 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 2010

VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

22. Non-current liabilities within one year

Item	31 Dec 2010	1 Jan 2010
Accounts payable within 1 year	0.00	29,550,000.00

Non-current liabilities within one year accounts for money payable that the Company's subsidiary, Beiren Yuxin Offset Printing Company Limited to its minority shareholders, Beijing Print Factory. The decrease of this year is due to change in consolidation scope.

23. Other current liabilities

Item	31 Dec 2010	1 Jan 2010
Accrued audit fee	115,673.98	0.00
Interest discount of advanced flexo printing machine technology transformation project	84,526.58	0.00
Shaanxi Packaging & Printing Machinery Engineering Technology Research Centre	656,816.01	0.00
Relocation compensation	1,049,600.00	1,149,600.00
Total	1,906,616.57	1,149,600.00

Other current liabilities accounts for government subsidy acquired in previous years relating to assets. During this year, deferred revenue switched from other current liabilities is RMB857,016.57.

24. Long-term loan

(1) Classification:

Loan category	31 Dec 2010	1 Jan 2010
Guaranteed loan	18,000,000.00	24,000,000.00

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 2010:

Bank	Starting date	Maturity date	Currency	Rate (%)	31 Dec 2010		1 Jan 2010	
					Foreign currency amount	RMB	Foreign currency amount	RMB
Agricultural Bank of China Weinan branch	23 Jan 2007	22 Jan 2012	RMB	Floating rate	0.00	18,000,000.00	0.00	24,000,000.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

25. Special payables

Item	1 Jan 2010	Increase	Carry forward	31 Dec 2010	Notes
Medium newspaper printing machine core unit technology and half-way commercial product	4,327,223.76	248,585.43	0.00	4,575,809.19	Note 1
Folio single paper print machine series with multiple colours – new style 1050	4,773,314.47	269,685.05	0.00	5,042,999.52	Note 2
Relocation compensation	0.00	10,746,900.00	4,661,180.12	6,085,719.88	Note 3
Total	9,100,538.23	11,265,170.48	4,661,180.12	15,704,528.59	

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.

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 June 24, 2010. 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.

Note 3: During this year, the Company transferred real estate which located at Fatou Factory area to its parent company, Beiren Group Corporation; hence Beiiren Fuji relocated its production area into factory area of the Company. Beiren Group Corporation paid Beiiren Fuji RMB10,746,900 as relocation compensation. Up to 31 Dec 2010, there is relocation expenses RMB6,085,700 left unpaid.

26. Estimated liabilities

Item	1 Jan 2010	Increase	Carry forward	31 Dec 2010
Employee Compensation for Dismission	266,891.98	325,915.40	0.00	592,807.38

The Company estimated employee injury compensation in comply with judgment from court, and increase is the optimum estimated number by discounting future cash flow out.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

27. Other non-current liabilities

Item	31 Dec 2010	1 Jan 2010
Relocation compensation	656,815.99	1,970,448.01
Interest discount of advanced flexo printing machine technology transformation project	578,369.91	832,852.67
Shaanxi Packaging & Printing Machinery Engineering Technology Research Centre	338,106.31	0.00
Total	1,573,292.21	2,803,300.68

(1) The government subsidies of RMB795,624.79 gained prior years relevant to assets are transferred into non-operating income in according to relevant regulations, and the closing balance is RMB1,573,292.21.

(2) Government subsidy

Category	Closing Balance			Return this year	Reason for return
	Those listed into other non-current liabilities	Those listed into other current liabilities	Those listed into current gain and loss		
Interest discount of advanced flexo printing machine technology transformation project	578,369.91	115,673.98	138,808.78		
Shaanxi Packaging & Printing Machinery Engineering Technology Research Centre	338,106.31	84,526.58			
Total	916,476.22	200,200.56	138,808.78	-	-

28. Share capital

Unit: RMB'000

Shareholder's Name/Regimentation	1 Jan 2010		Current changes accumulation					31 Dec 2010	
	Amount	Ratio (%)	Issue new stock	Gifts share	funds to equity	Others	Subtotal	Amount	Ratio (%)
Conditioning Stock									
State-owned Holdings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Un-conditioning Stock									
Common Stock(RMB)	322,000.00	76.30	0.00	0.00	0.00	0.00	0.00	322,000.00	76.30
Stock listed over-sea	100,000.00	23.70	0.00	0.00	0.00	0.00	0.00	100,000.00	23.70
Subtotal	422,000.00	100.00	0.00	0.00	0.00	0.00	0.00	422,000.00	100.00
Total	422,000.00	100.00	0.00	0.00	0.00	0.00	0.00	422,000.00	100.00

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 Jan 2010 and 7 Jan 2010 via large amount transaction system of the Shanghai Stock Exchange. After that, Beiren Group Corporation holds 201,620,000 shares of un-conditioning stock (47.78% of total stock of the Company) of the Company and still the major shareholder of the Company.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

29. Capital reserve

Item	1 Jan 2010	Increase	Decrease	31 Dec 2010
Capital premium	517,305,478.93	0.00	0.00	517,305,478.93
Other capital reserve	5,714,792.13	709,500.18	851,993.37	5,572,298.94
Total	523,020,271.06	709,500.18	851,993.37	522,877,777.87

Decrease of capital reserve this year is due to disposal of subsidiary, Haimen Beiren Fuji Co., Ltd. which wrote off capital reserve confirmed according to equity method.

30. Surplus reserve

Item	1 Jan 2010	Increase	Decrease	31 Dec 2010
Statutory surplus reserve	43,172,707.88	0.00	0.00	43,172,707.88

31. Undistributed profits

Item	Amount	Ratio (%)
Undistributed Profits at The Last period End	-265,330,459.45	
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	
Undistributed Profits at The Year Beginning	-265,330,459.45	
Add: net profit attributable to parent company this period	22,279,381.53	
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	
Undistributed Profits at The Year End	-243,051,077.92	

32. Minority interest

Name of Subsidiary	Proportion of Minority Interest (%)	30 Jun 2010	1 Jan 2010
Haimen Beiren print machinery Co., Ltd.	0.00	0.00	1,505,732.03
Beiren Fuji print machinery Co., Ltd.	30.00	7,251,866.64	11,086,858.68
Beijing Beiren Jingyan Print Machinery Factory	0.24	19,384.75	30,903.95
Beijing Beiren Yuxin Offset Printing Co., Ltd.	31.34	0.00	18,530.14
Shaanxi Beiren printing machinery Co., Ltd.	13.76	8,842,163.05	7,804,408.53
Beiren Yixin	0.00	0.00	0.00
Total		16,113,414.44	20,446,433.33

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

33. Operating income and operating costs

Items	Jan-Dec 2010	Jan-Dec 2009
Main operating income	805,587,594.10	753,349,102.31
Other operating income	15,770,125.59	14,319,484.95
Total	821,357,719.69	767,668,587.26
Main operating costs	668,504,304.28	691,212,985.75
Other operating costs	7,259,034.63	5,363,021.01
Total	675,763,338.91	696,576,006.76

1) Main operating income and costs (classified by products)

Item	Jan-Dec 2010		Jan-Dec 2009	
	Operating Income	Operating Costs	Operating Income	Operating Costs
Sales of hectograph machine	431,053,389.36	378,251,455.31	448,572,601.58	425,499,245.67
Sales of intaglio printing machine	299,370,754.59	226,786,556.05	233,438,692.09	191,016,579.67
Sales of form machinery	44,799,531.00	40,306,447.44	26,685,627.24	25,344,804.67
Sales of spares parts	26,471,764.45	20,200,475.04	18,813,818.92	24,164,218.72
others	3,892,154.70	2,959,370.44	25,838,362.48	25,188,137.02
Total	805,587,594.10	668,504,304.28	753,349,102.31	691,212,985.75

2) The total sales income of the Company's top five clients is RMB91,294,780.31, accounted 11.11% of the total sales income of the period.

3) The subsidiary, shaanxi Beiren Printing Machinery Co., Ltd. has gone through relocation transit period and its production tends to be smooth, hence fixed cost is reduced. Meanwhile, the Company has strengthened sales on high value added products and gross profit ratio of gravure printing machinery has been increased from 18% to 24%.

4) During this year, the Company intensified sales on regular products and volume went up while reduced fixed cost, therefore, the gross profit ration of offset printing machinery has been increased from 5% to 12%. However, the increase of volume didn't make an obvious income growth because of price limit on regular products.

34. Business tax

Items	Jan-Dec 2010	Jan-Dec 2009	Tax rate (%)
Business tax	603,620.86	586,825.36	Taxable income *5%/3%
Urban maintenance and construction tax	3,301,183.34	3,348,613.39	Turnover tax *5%/7%
Educational fees	1,416,299.43	1,459,700.67	Turnover tax *3%
Real estate tax	193,587.99	393,308.36	Original value of real estate 70%*1.2%
Land use fee	49,500.00	99,000.00	RMB3.00/m ² or RMB1.50/m ²
Total	5,564,191.62	5,887,447.78	

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

35. Sales expenses

Item	Jan-Dec 2010	Jan-Dec 2009
Salary	17,208,510.62	18,134,893.51
Exhibition fee	4,217,101.85	3,678,019.09
Travelling fee	5,251,933.04	4,924,103.25
Staff going abroad fee	608,632.41	1,321,210.28
Entertainment expenses	2,560,565.75	2,775,980.68
Transportation and commissioning fee	12,764,938.12	12,504,236.92
Office and administrative fee	4,076,347.22	1,390,595.99
Commissions	17,941,169.57	9,690,607.57
Others	11,605,267.75	8,433,526.50
Total	76,234,466.33	62,853,173.79

36. Administration expenses

Item	Jan-Dec 2010	Jan-Dec 2009
Salary	45,671,738.71	46,078,255.63
Depreciation	12,790,104.36	13,958,854.98
Office and administrative fee	5,917,967.09	3,805,346.26
Amortisation of intangible assets	3,280,349.39	2,963,785.74
Entertainment and meetings fee	3,769,549.57	4,194,493.16
Maintenance fee	824,973.22	1,345,585.98
Energy fee	3,669,867.61	2,255,047.97
Tax expense	7,523,193.27	8,371,763.40
Agency fee	6,066,886.81	4,669,599.99
Research and development fee	24,317,416.63	35,321,429.95
Air conditioner fee	3,062,738.63	2,592,142.99
Trademark usage fee	4,146,453.94	3,802,754.55
Others	13,776,383.85	8,298,792.54
Total	134,817,623.08	137,657,853.14

37. Financial expenses

Item	Jan-Dec 2010	Jan-Dec 2009
Interest payment	18,022,224.89	20,388,548.77
less: Interest income	773,251.36	446,758.37
Add: exchange loss	-243,969.09	11,961.41
Add: other payment	1,038,289.64	1,366,691.14
Total	18,043,294.08	21,320,442.95

38. Impairment loss of assets

Item	Jan-Dec 2010	Jan-Dec 2009
Bad debt loss	16,640,806.92	1,875,031.01
Impairment loss on inventory	57,468,651.99	33,057,545.55
Impairment loss on non-current assets	0.00	290,071.82
Total	74,109,458.91	35,222,648.38

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

39. Investment income

1) Resources of investment income

Item	Jan-Dec 2010	Jan-Dec 2009
Equity method of accounting for long-term equity investment income	466,489.04	622,102.42
Investment income of disposal of long-term equity investment	172,039,266.78	630,814.67
Total	172,505,755.82	1,252,917.09

Note: There is no significant limit for the remittance back of investment income.

The Company disposed three subsidiary companies during this year, and the investment income is mainly from equity disposal of Beiren Yixin Company and Haimen Beiren Fuji Company.

2) Equity method of accounting for long-term equity investment income

Item	Jan-Dec 2010	Jan-Dec 2009	Reason of changes
Total	466,489.04	622,102.42	
Including:			
Beijing Beiyong Casting Company Limited	387,862.90	537,781.17	Reduce of profit
Beijing Monigraf Automations Co., Ltd.	78,626.14	84,321.25	Reduce of profit
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	0.00	0.00	Negative equity

40. Non-operating income

1) Non-Operating Income

Item	Jan-Dec 2010	Jan-Dec 2009	Accounted into non-operating gains and loss
Gains from non-current capital disposal	4,776,650.21	1,301,276.10	4,776,650.21
Among which: Gains from fixed assets	4,776,650.21	1,301,276.10	4,776,650.21
Government subsidy	9,675,745.75	8,435,792.39	9,675,745.75
Gain of debt restructure	1,583,495.15	22,577.81	1,583,495.15
Other	730,394.55	2,018,802.02	730,394.55
Total	16,766,285.66	11,778,448.32	16,766,285.66

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

40. Non-operating income (cont'd)

2) The government subsidies in this period are showed below:

Item	Jan-Dec 2010	Jan-Dec 2009	Reasons
Employment subsidy endowed by Capital Beijing Electrical Holdings Co., Ltd.	703,001.06	0.00	JRSFF (2009) No.171 Reply on payment on employment subsidy and social insurance subsidy from Beijing Human Resources and Social Security Bureau
Employment subsidy endowed by Capital Beijing Electrical Holdings Co., Ltd.	1,336,097.31	0.00	JRSFF (2009) No.171 Reply on payment on employment subsidy and social insurance subsidy from Beijing Human Resources and Social Security Bureau
The 2nd deficit enterprise subsidy from Beijing Economic Technology Development Zone Social Insurance Fund Management Center	2,331,907.82	0.00	JRSFF (2009) No.1197 Reply on second payment on employment subsidy and social insurance subsidy from Beijing Human Resources and Social Security Bureau
The 2nd and 3rd deficit enterprise subsidy from Beijing Economic Technology Development Zone Social Insurance Fund Management Center	2,318,484.54	0.00	JRSFF (2009) No. 385 & No. 0019 Reply on 2nd and 3rd payment on employment subsidy and social insurance subsidy from Beijing Beijing Human Resources and Social Security Bureau
Subsidy from Beijing Commerce Committee	64,031.00	0.00	
Subsidy from Beijing Commerce Committee	82,446.00	0.00	
Shaanxi Beiren concave cigarette sectional online technique transform project	550,000.00	0.00	SCBQZ (2009) No. 92 (transferred from other payable)
Medium and small enterprise development fund	122,000.00	0.00	Weinan Bureau of Finance (transferred from other payable)
Patent application subsidy	8,000.00	0.00	Shaanxi Intellectual Property Bureau (transferred from other payables)
Unemployment subsidy	1,336,620.00	0.00	WLF (2010) No. 63 Notice on strengthen unemployment insurance from Weinan bureau of labour and social security and Finance Bureau of Weinan.
Employment subsidy	402,714.81	0.00	Reply on appropriating stable employment career and social insurance subsidy to Beijing Beiren Fuji Printing Machinery Co., Ltd.
Subsidy for rural migrant workers	4,024.50	0.00	Payment document from Chaoyang Finance Bureau Treasury Center
Stable employment career subsidy	116,832.83	0.00	JRSFF (2010) No. 117 Reply on appropriating stable employment career and social insurance subsidy to Beiren Jingyan.
Stable employment career subsidy	155,777.10	0.00	JRSFF (2010) No. 825 Reply on appropriating stable employment career and social insurance subsidy to Beiren Jingyan.
Subsidy for disposal of yellow-labelled vehicle	5,000.00	0.00	Yellow-labelled vehicle subsidy fund verification form
Stable employment career subsidy and social insurance subsidy	0.00	3,663,038.00	JRSFF (2009) No 1197 document
Encourage subsidy from ministry of finance for disposal of yellow-labelled vehicle	0.00	13,000.00	Budget appropriation vouchers
Government subsidy for Beijing Economic and Technology Development Zone Financial Settlement Centre	0.00	50,000.00	BJJG (2009) No. 111 document

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

40. Non-operating income (cont'd)

2) The government subsidies in this period are showed below: (cont'd)

Item	Jan-Dec 2010	Jan-Dec 2009	Reasons
Insurance Subsidy on Beijing High-tech incubation service center	0.00	285,000.00	Technology Insurance subsidy from Beijing Science Committee
Government subsidy for loan interest of Government of Beijing Economy technology development zone	0.00	130,000.00	JJXWF (2009) No. 27 Document
Subsidy on Beijing Economy technology development zone	0.00	50,000.00	JKCQ (2009) No. 239 Document
Development and industrial R&D on TAZJ Series Gravure Printing Proofer	0.00	600,000.00	SCH (2007) No. 80 Document
Interest discount of advanced flexo printing machine technology transformation project	138,808.78	104,106.58	SFGTZ (2006) No. 1278 Document (transferred from deferred revenue)
Key technique and equipment on digital and intelligent printing machinery	0.00	410,000.00	State Technology Supporting Plan Commitment (transferred from other payables)
AZJ80820A advanced print machine set for cigarette package	0.00	500,000.00	Contract of Shaanxi provincial "13115" significant science and technology programme (transferred from others payable)
Applied technique research and development	0.00	100,000.00	Ministry of Finance, P.R.C
R&D expenses on engraving printing heating system	0.00	50,000.00	Contract on Shaanxi Science Technology R&D plan
Enterprise technology innovation and creation of famous brand in 2009	0.00	50,000.00	SGXF (2009) No. 336 Document
Shaanxi Packaging & Printing Machinery Engineering Technical Research Centre	0.00	516,606.84	YZZZ (2009) No. 025 Document (transferred from other payables)
Unemployment Subsidy	0.00	500,640.00	WLF (2009) No. 94 Document
Subsidy for loan interest of circulating funds from Shaanxi Provincial Department of Finance	0.00	850,000.00	SCBQZ (2009) No. 22 Document
Stable employment career subsidy and social insurance subsidy	0.00	443,774.42	JRSF (2009) No. 291 Document
Social Insurance Subsidy	0.00	119,626.55	JRSF (2009) No. 484 Document
Total	9,675,745.75	8,435,792.39	

41. Non-operating expenses

Item	Jan-Dec 2010	Jan-Dec 2009	Accounted into non-operating gains and loss
Loss from non-currency asset disposal	496,899.73	536,582.61	496,899.73
Among which: Loss from fixed assets	496,899.73	536,582.61	496,899.73
Loss compensation	325,915.40	0.00	325,915.40
others	304,995.70	635,708.53	304,995.70
Total	1,127,810.83	1,172,291.14	1,127,810.83

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

42. Income tax expense

Item	Jan-Dec 2010	Jan-Dec 2009
Income tax for current year	0.00	-883,911.37
Deferred tax expenses	5,499,059.02	411,627.83
Total	5,499,059.02	-472,283.54

43. The calculating procedure of basic EPS and diluted EPS

Items	Number	Jan-Dec 2010	Jan-Dec 2009
Net profit for equity holders of the Company	1	22,279,381.53	-174,004,582.85
Net profit of extraordinary items for equity holders of the Company	2	188,282,171.29	10,812,206.99
Net profit for equity holders of the Company after extraordinary items	3=1-2	-166,002,789.76	-184,816,789.84
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 Number of months from next month to the end of the reporting period	9		
Number of shares decreased by shrinking	10		
Number of Months in the reporting period	11	12	12
Ordinary shares on weighted average basis	12=4+5+6×7÷11-8×9÷11-10	422,000,000.00	422,000,000.00
Basic earning per share (I)	13=1÷12	0.05	-0.41
Basic earning per share (II)	14=3÷12	-0.39	-0.44
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)×(1-17)]÷(12+18)	0.05	-0.41
Diluted earning per share (II)	19=[3+(15-16)×(1-17)]÷(12+18)	-0.39	-0.44

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

44. 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 2010
Relocation compensation expenses	10,746,900.00
Interest income	648,996.92
Received Financial project funding	9,505,635.97
Guarantee payment	1,540,000.00
Transfer non-patent technology	2,180,100.00
Receive social insurances from social insurance bureau	858,691.43
Sales of materials and disposal of old and obsolete materials	481,808.50
Others	394,841.00
Total	33,485,213.41

2) Other cash payment related to operation activity

Item	Jan-Dec 2010
Office, conference and travelling fee	11,003,924.99
Installation & Commissioning fee	6,977,795.15
Relocation expenses	2,539,918.50
Trademark usage fee	4,125,903.86
Agency fee	3,011,667.18
Advertising and exhibition fee	2,728,771.86
Accrued claim for products	2,693,795.64
Transportation fee	2,056,399.72
Entertainment fee	2,000,754.99
Sales commission	1,970,700.00
Bidding guarantee	1,070,672.50
Land use right fee	850,000.00
Information technology fee	821,448.26
Maintenance fee	700,354.78
Others	1,883,723.75
Total	44,435,831.18

3) Cash paid related to other investing activity

Item	Jan-Dec 2010
Agency fee for equity payment	872,485.07

4) Cash paid related to other funding raising activity

Item	Jan-Dec 2010
Expense for financing from bank	793,488.63
Guarantee	8,537,623.16
Total	9,331,111.79

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

44. Cash flow (cont'd)

(2) Supplement information of consolidated cash flow statement

Item	Jan-Dec 2010	Jan-Dec 2009
1. Cash flow from operating activities		
Net profit	19,470,518.39	-179,517,627.73
Add: Provision on the impairment of assets	74,109,458.91	35,222,648.38
Depreciation of fixed asset	37,067,343.03	45,452,068.14
Amortization of intangible asset	2,722,453.18	2,963,785.74
Amortization of long-term prepaid expenses	44,000.00	66,000.00
Loss from disposal on fixed asset, intangible assets, and other long term asset ("- if revenue)	-4,279,750.48	-764,693.49
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)	18,022,224.89	20,388,548.77
Loss from investment ("- if revenue)	-172,505,755.82	-1,252,917.09
Decrease in deferred tax assets ("- if increase)	5,499,059.02	411,627.83
Increase in deferred tax liability ("- if decrease)	0.00	0.00
Decrease in inventory ("- if increase)	151,586,134.38	184,157,317.09
Decrease of account receivable ("- if increase)	37,083,196.80	55,207,986.38
Increase of account payable ("- if decrease)	-163,010,977.21	-41,675,149.42
Others	709,500.18	0.00
Net cash flow from operating activity	6,517,405.27	120,659,594.60
2. Cash flow from financing activity:		
Debts transferred into capital		
Corporation debenture with maturity less than one year		
Financing leased fixed asset		
3. Changes in cash and cash equivalent:		
Closing balance of cash	110,505,385.35	111,849,650.31
Less: opening balance of cash	111,849,650.31	66,503,301.13
Add: closing balance of cash equivalents	0.00	0.00
Less: opening balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	-1,344,264.96	45,346,349.18

(3) Relevant information of current disposed subsidiaries and other business units

Item	Jan-Dec 2010	Jan-Dec 2009
Relevant information of disposed subsidiaries and other business units		
1. Price of disposed subsidiary and other business units	199,849,670.99	50,000.00
2. Disposal of subsidiaries and other business units received in cash and cash equivalents	199,849,670.99	50,000.00
Less: subsidiaries and other business units held cash and cash equivalents	6,109,588.91	0.00
3. Net cash receipts from disposal of subsidiaries and other business units	193,740,082.08	50,000.00
4. Disposal of subsidiaries' net asset	32,791,218.08	-580,814.67
Current assets	76,409,077.07	7,282,122.49
Non-current assets	45,678,989.57	2,272,754.64
Current liabilities	89,296,848.56	10,135,691.80
Non-current liabilities	0.00	0.00

(4) Cash and cash equivalents

Item	31 Dec 2010	31 Dec 2009
Cash	110,505,385.35	111,849,650.31
Including: cash on hand	9,019.13	20,238.66
Bank deposit available to make payments	110,496,366.22	111,829,411.65
Cash equivalents	0.00	0.00
Cash and cash equivalents at the end of the year	110,505,385.35	111,849,650.31
Including: Restricted cash and cash equivalent for parent Company or subsidiary inside the Company	0.00	0.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

IX. 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 Corporation 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	10110132-9
Beijing National Capital Mechanical And Electrical Holding Company Limited	Unique State-owned	59# Zhong Venue Dongsanhuan Chaoyang Distirct Beijing	Operation and management of authorized State capital; property right (stock right) operation; financing and investing money from foreign countries.	Ren Yaguang	633686217

(b) Registered capital (RMB 0,000) of the parent company and changes

Name	1 Jan 2010	Increase	Decrease	31 Dec 2010
Beiren Corporation Group	17,126.70	0.00	0.00	17,126.70
Beijing National Capital Mechanical And Electrical Holding Company Limited	163,454.55	0.00	0.00	163,454.55

(c) Shareholding

Name	Amount of Shareholding		Percentage of Shareholding (%)	
	31 Dec 2010	1 Jan 2010	31 Dec 2010	1 Jan 2010
Beiren Corporation Group	20,162.00	22,264.00	47.78	52.76

(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
Beijing Beiren Jinyan Printing Machinery Factory	Joint stock company	Yanqing Country, Beijing City	Manufacture printing machines and relevant components provide relevant technical consulting services	Kong Dagang	103047696

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

IX. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES *(cont'd)*

1. **Related parties relationship** *(cont'd)*

(2) **Subsidiaries** *(cont'd)*

(b) **Registered capital**

Name	1 Jan 2010	Increase	Decrease	31 Dec 2010
Shanxi Beiren Printing Machinery Co., Ltd.	115,000,000.00	0.00	0.00	115,000,000.00
Beijing Beiren Fuji Printing Machinery Co., Ltd.	42,328,060.26	0.00	0.00	42,328,060.26
Beijing Beiren Jinyan Printing Machinery Factory	21,050,000.00	0.00	0.00	21,050,000.00

(c) **Shareholding**

Name	Amount of Shareholding		Percentage of Shareholding (%)	
	31 Dec 2010	1 Jan 2010	31 Dec 2010	1 Jan 2010
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
Beijing Beiren Jinyan Printing Machinery Factory	21,000,000.00	21,000,000.00	99.76	99.76

(3) **Associated companies**

Name	Nature	Registration Address	Operating Scope	Legal person	Registered capital (RMB 0,000)	Percent of ownership (%)	Organisation number
Associated companies							
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.	Chen Changge	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.	Kong Dagang	4,600.00	49	788602348

The shareholding proportion of associated company is the same with voting rights proportion.

(4) **Other related parties**

Relationship	Name	Transaction	Organisation number
Under the same parent company	Haimen Beiren Printing Machinery Co., Ltd.	Goods sales	138335313

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

IX. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES *(cont'd)*

2. Related-party transactions

(1) Purchase of goods or accepting service

Name	Nature	Jan-Dec 2010		Jan-Dec 2009	
		Amount	Percent (%)	Amount	Percent (%)
Parent company					
Beiren Corporation Group	Purchase goods	0.00	0.00	929,059.83	0.75
Beiren Corporation Group	Trademark use fee	4,146,453.94	100	3,802,754.55	100.00
Associated companies					
Beijing Monigraf Automations Co. Ltd.	Purchase	11,522,473.14	7.68	8,143,899.16	6.55
Beijing Beiyong Casting Co. Ltd.	Purchase	20,368,769.36	13.58	10,579,374.53	8.51
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Purchase	2,832,527.06	1.89	3,023,705.85	2.43
Total		38,870,223.50		26,478,793.92	

Pricing policies on Related-party transactions is in accordance with the agreement price.

(2) Sales of goods

Name	Nature	Jan-Dec 2010		Jan-Dec 2009	
		Amount	Percent (%)	Amount	Percent (%)
Parent company					
Beiren Corporation Group	Selling goods	230,615.33	0.01	0.00	0.00
Beiren Corporation Group	Selling Hydropower	138,811.91	11.57	176,238.02	15.51
Associated companies					
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co.	Selling Hydropower	498,213.15	41.52	378,230.53	33.28
Total		867,640.39		554,468.55	

Pricing policies associated with Related-party transactions is the agreement price.

(3) Rental

Lessor	Lessee	Assets rental information	Start date	Expire date	Rental income	Basis of income
The Company	Beijing Beiyong Casting Co. Ltd.	Land, housing	31 Jan 2010	31 Dec 2010	4,407,064.68	Agreement price
The Company	Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co.	housing	1 July 2007	30 June 2015	1,621,836.00	Agreement price
The Company	Beijing Monigraf Automations Co. Ltd.	housing	1 Jan 2010	31 Dec 2010	100,662.00	Agreement price
The Company	Beiren Corporation Group	housing	1 Jan 2010	31 Dec 2010	877,476.83	Agreement price

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

IX. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES *(cont'd)*

2. Related-party transactions *(cont'd)* (4) Lease

Lessor	Lessee	Assets rental information	Start date	Expire date	Basis on rental pricing	Rental price confirmed this year
The Company	Beiren Corporation Group	land	2010.1.1	2010.12.31	Agreement price	850,000.00

(5) Entrust loans with related parties

Name of related party	Amount	Starting date	Expiration date	Note
Beijing National Capital Mechanical And Electrical Holding Company Limited	55,000,000.00	2010.3.22	2011.3.21	See VIII.15
Beijing National Capital Mechanical And Electrical Holding Company Limited	15,000,000.00	2010.9.16	2011.9.15	See VIII.15

(6) Assets transfer and debts restructure with related party

Name of related party	Type of related transaction	Jan-Dec 2010	Jan-Dec 2009
Beiren Corporation Group	Real estate in Fatou factory and relocation compensation	25,396,371.10	0.00
Beiren Corporation Group	Haimen equity and credit Assignment	43,113,048.71	0.00
Beiren Corporation Group	Yixin equity	176,370,400.00	0.00
Beiren Corporation Group	Assets and technology relating to N200 products	20,466,587.57	0.00

The Company and its subsidiary, Beiren Fuji transferred the following equity/assets to parent company, Beiren Corporation: 100% equity of wholly-owned subsidiary of the Company, Beijing Yixin (Beijing) Technology Development Co., Ltd. (with registered capital and paid-in capital of RMB22,367,000), as well as affiliated rights; development costs of 16,500 square meters of land (usage of 50 years) and 17,063.70 square meters of buildings on land which is located at Fatou area, Chaoyang District, Beijing (hereinafter called "Beijing Fatou"); part of supporting equipment relevant to the buildings at Beijing Fatou; 79.70% and 20.3% equity of Haimen Beiren Fuji Printing Machinery Company Limited (with registered capital and paid-in capital of RMB51,000,000, hereinafter called Haimen Beiren) held by the Company and Beiren Fuji respectively, which are 100% equity in total; quarto business-of BEIREN200 Quarto four-color printing exclusive technology; quarto business-creditor's rights (equipment payment receivable from Haimen Beiren) and quarto business-inventory. As for relocation compensation, refer to VIII.21.

The above-mentioned transactions are on basis of Assets Appraisal Report and the related transaction price is determined through consultations of both parties.

Up to 31 Dec 2010, the mentioned transactions have been completed and all transfer accounts have been received. Reply from relevant authorities has been acquired.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

IX. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES *(cont'd)*

3. Balance of related-party transactions

(1) Accounts receivable of related parties

Item	31 Dec 2010		1 Jan 2010	
	Amount	Bad debts	Amount	Bad debts
Associated companies				
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	1,793,559.08	0.00	218,337.63	0.00
Beijing Monigraf Automations Co. Ltd.	0.00	0.00	25,061.40	0.00
Company under common control				
Haimen Beiren Fuji Printing Machinery Company Limited	232,896.78	0.00	0.00	0.00
Total	2,026,455.86	0.00	243,399.03	0.00

(2) Others receivable of related parties

Item	31 Dec 2010		1 Jan 2010	
	Amount	Bad debts	Amount	Bad debts
Parent Company				
Beiren Corporation Group	1,629,191.08	0.00	0.00	0.00
Associated companies				
Beijing Monigraf Automations Co. Ltd.	150,993.00	0.00	50,331.00	0.00
Company under common control				
Haimen Beiren Fuji Printing Machinery Company Limited	145,832.93	0.00	0.00	0.00
Total	1,926,017.01	0.00	50,331.00	0.00

(3) Advances from customers of related parties

Item	31 Dec 2010		1 Jan 2010	
	Amount	Bad debts	Amount	Bad debts
Associated companies				
Beijing Monigraf Automations Co. Ltd.	0.00	0.00	298,000.00	0.00
Beijing Beiying Casting Co. Ltd.	0.00	0.00	99,517.45	0.00
Total	0.00	0.00	397,517.45	0.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

IX. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES *(cont'd)*

3. Balance of related-party transactions *(cont'd)*

(4) Accounts payables of related parties

Item	31 Dec 2010	1 Jan 2010
Parent company		
Beiren Corporation Group	0.00	1,997,780.00
Associated companies		
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	20,651,316.66	47,866,408.02
Beijing Monigraf Automations Co. Ltd.	3,470,983.15	5,706,400.00
Beijing Beiyong Casting Co. Ltd.	2,000,000.00	907,553.21
Total	26,122,299.81	56,478,141.23

(5) Others payables of related parties

Item	31 Dec 2010	1 Jan 2010
Parent company		
Beiren Corporation Group	1,247,319.56	13,641,380.51

(6) Entrusted loans with related parties

Related party	31 Dec 2010	1 Jan 2010
Parent company		
Beijing National Capital Mechanical And Electrical Holding Company Limited	70,000,000.00	150,000,000.00

(7) Special payables

Item	31 Dec 2010	1 Jan 2010
Parent company		
Beijing National Capital Mechanical And Electrical Holding Company Limited	9,618,808.71	9,100,538.23

X. SHARE-BASED PAYMENT

As of 31 Dec 2010, the company has no share-based payment

XI. CONTINGENCIES

- As of 31 Dec 2010, the company involving three pending litigations with an amount of RMB12,168,600.
- 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.

XII. COMMITMENTS

1 Matters of major commitments

a) Signed and conducting or preparing to be engaged lease contracts and financial impacts

As of 31 Dec 2010 (T), the Company made commitments on the amount of the non-revocable, operating lease and financial leases as to renting the land of Beiren Group Corporation:

Period	Operating Lease	Financing Lease
Year T+1	850,000.00	0.00
Year T+2	850,000.00	0.00
Year T+3	850,000.00	0.00
Later than Year T+3	2,550,000.00	0.00
Total	5,100,000.00	0.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

XII. COMMITMENTS *(cont'd)*

1 Matters of major commitments *(cont'd)*

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 respectively. By each year, the trademark usage fees shall not be less than RMB15,000 not more than RMB6,000,000.00.

2. As of 31st Dec 2010, the company has no other significant issues happened besides for these commitments above.

XIII. Events after the balance sheet date

1. In accordance with Reply on contract regulations expiration applied by Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd. [No.JJGXSZ (2011)46] issued by Beijing Economic Technology Development Zone Management Committee, affiliated company of the Company, Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd. was agreed to expire the joint venture contract and regulations to liquidate. This company shall handle the cancellation comply with relevant laws.
2. Except for the above-mentioned event, there are no other significant events after the balance date.

XIV. 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.

XV. OTHER SIGNIFICANT EVENTS

1. Non-currency assets exchange

As of 31 December 2010, there was no non-currency assets exchange that needed to be disclosed by the Company.

2. Debt restructure

As of December 31, 2010, the company has no debt restructure happened.

3. Leasing

(1) Operating leased assets (Operating lease lessor)

Types of Operating leased assets	31 Dec 2010	31 Dec 2009
Land	16,674,806.38	17,043,310.30
Housing and Building	94,948,721.94	78,718,685.62
Machinery and equipment	0.00	2,379,758.16
Transport equipment	0.00	42,873.30
Total	111,623,528.32	98,184,627.38

4. 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
2-3 years	850,000.00
More than 3 years	2,550,000.00
Total	5,100,000.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

XVI. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT

1. Account receivable

(1) Classification for accounts receivables

Items	31 Dec 2010				31 Dec 2009			
	Balance		Provision for bad debts		Balance		Provision for bad debts	
	Amount	Proportion %	Amount	Proportion %	Amount	Proportion %	Amount	Proportion %
Individual receivables above significant level	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Receivables for which provision of bad debts made on basis of combinations	-	-	-	-	-	-	-	-
Combination based on age accounts	220,187,730.53	92.94	74,086,765.53	33.65	249,581,621.70	90.35	68,873,937.44	27.60
Individual receivables below significant level	16,733,898.77	7.06	8,233,000.00	49.20	26,643,491.27	9.65	0.00	0.00
Total	236,921,629.30	-	82,319,765.53	-	276,225,112.97	-	68,873,937.44	-

Receivables for which provision of bad debts made on the basis of age accounts

Item	31 Dec 2010			1 Jan 2010		
	Amount	Percent (%)	Provision of bad debts	Amount	Percent (%)	Provision of bad debts
Within 1 year	104,268,065.09	0.00	0.00	127,882,173.48	0.00	0.00
1-2 years	47,549,397.53	30.00	14,264,819.26	55,165,629.97	30.00	16,549,688.99
2-3 years	21,370,804.09	60.00	12,822,482.45	35,523,924.49	60.00	21,314,354.69
Above 3 years	46,999,463.82	100.00	46,999,463.82	31,009,893.76	100.00	31,009,893.76
Total	220,187,730.53	-	74,086,765.53	249,581,621.70	-	68,873,937.44

(2) Individual receivables below significant level at the end of period

Company Name	Amount	Bad debts provision	Rate (%)	Reason for bad debts provision
Note 1	8,233,000.00	8,233,000.00	100.00	Difficult to collect balance payment
Note 2	8,500,898.77	0.00	0.00	
Total	16,733,898.77	8,233,000.00	-	-

Note 1: The Company made impairment provisions on five accounts receivables amounting to RMB8,233,000.00 which is longer in age and difficult to collect.

Note 2: The Company didn't make bad debts provisions on five accounts receivables amounting to RMB8,500,898.77 with related parties.

- (3) There is no reversal of bad debts provisions this year.
- (4) The actual write-off of accounts receivable is amounting to RMB140,000.00.
- (5) There is no accounts receivable from the shareholdings over 5% (incl. 5%) of the Company.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

XVI. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT (cont'd)

1. Account receivable (cont'd)

(6) Top five of the end balance of accounts receivable

Company Name	Relationship	Amount	Age	Proportion in accounts receivable (%)
Zhongti (Beijing) Colour Printing Co., Ltd.	Customer	19,360,000.00	1-2 years	8.17
Jiangxi Daily Printing Center	Customer	9,860,000.00	Within 1 year	4.16
Chengdu Beiren Printing Materials Corporation	Customer	8,029,999.94	2-3 years	3.39
Suzhou Daily	Customer	6,086,000.00	1-2 years	2.57
Linyi Daily	Customer	5,780,000.00	Within 1 year	2.44
Total	-	49,115,999.94	-	20.73

(7) 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	1,793,559.08	0.76
Haimen Beiren Fuji Printing Machinery Company Limited	Subsidiary	927,818.04	0.39
Beijing Beiren Jingyan Printing Machinery Factory	Subsidiary	5,320,773.05	2.25
Total		8,042,150.17	3.40

2. Other account receivable

(1) Classification for other receivables

Item	31 Dec 2010				31 Dec 2009			
	Amount	Ratio %	Amount	Ratio %	Amount	Ratio %	Amount	Ratio %
Individual other receivables above significant level	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other receivables of which provision of bad debts made by groups	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Individual other receivables below significant level	21,594,731.47	100.00	12,188,521.90	56.44	19,476,109.64	100.00	12,188,521.90	62.58
Total	21,594,731.47	-	12,188,521.90	-	19,476,109.64	-	12,188,521.90	-

Individual other receivables below significant level at the end of period

Company Name	Amount	Bad debts provision	Rate (%)	Reason for bad debts provision
Note 1	12,188,521.90	12,188,521.90	100.00	Difficult to collect
Note 2	9,406,209.57	0.00	0.00	
Total	21,594,731.47	12,188,521.90	-	-

Note 1: the Company made impairment provisions on five other receivables amounting to RMB12,188,521.90 which is longer in age and difficult to collect.

Note 2: for reservation fund of employees and receivables from parent company which amounting to RMB9,406,209.57, the Company didn't make bad debts provisions.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

XV. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT *(cont'd)*

2. **Other account receivable** *(cont'd)*

(2) **Other receivable from the shareholdings over 5% (incl. 5%) of the Company:**

Item	31 Dec 2010		31 Dec 2009	
	Amount	Bad debts	Amount	Bad debts
Beiren Corporation Group	1,543,308.91	0.00	0.00	0.00

Other receivables from Beiren Group Corporation are the prepaid charge, RMB1,247,319.56 which the Company should pay to Beiren Group Corporation is accounted in other payables, and after the offset the receivable from Beiren Group Corporation is amounting to RMB295,989.35. The relevant money has been paid in 2011.

(3) **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	42.09	Receivables
Beiren Corporation Group	Parent company	1,543,308.91		7.15	Prepaid
Beijing Beiren Jingyan Printing Machinery Factory	Subsidiary	735,777.13	1-2 years	3.41	Prepaid salary and insurance
Heating company	Heat suppliers	670,000.00	More than 3 years	3.10	Cash pledge
Total		12,037,327.04		55.75	

(4) **The end balance of other receivable due from related parties**

Company name	Relation with the Company	Amount	Proportion of total amount (%)
Beiren Corporation Group	Parent company	1,543,308.91	7.15
Beijing Beiren Jingyan Printing Machinery Factory	Subsidiary company	735,777.13	3.41
Beijing Monigraf Automations Co., Ltd	associated company	150,993.00	0.70
Total		2,430,079.04	11.26

(5) **foreign currency balance of other account receivable:**

Foreign currency	Original currency	31 Dec 2010		Original currency	31 Dec 2009	
		Exchange Rate	RMB		Exchange Rate	RMB
HKD	10,305,296.52	0.8509	9,088,241.00	10,305,296.52	0.8805	9,088,241.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

XVI. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT (cont'd)

3. Long-term equity investment

(1) Long-term equity investments

Item	31 Dec 2010	31 Dec 2009
Calculated long-term equity investment according to cost method	149,812,699.26	201,060,699.26
Calculated long-term equity investment according to rights and interests method	15,567,084.36	15,100,595.32
Sum of long term stock rights investment	165,379,783.62	216,161,294.58
Less: provide of devaluation for long-term equity investment	0.00	0.00
Net value of long-term equity investment	165,379,783.62	216,161,294.58

(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	Ending Decrease	Dividends of balance	the year
Cost Method								
Haimen Beiren	100.00	100.00	34,848,000.00	34,848,000.00	143,400.00	34,991,400.00	0.00	0.00
Beiren Fuji	70.00	70.00	29,632,699.26	29,632,699.26	0.00	0.00	29,632,699.26	0.00
Beiren Yixin	100.00	100.00	22,367,000.00	1,000,000.00	21,367,000.00	22,367,000.00	0.00	0.00
Beiren Jingyan	99.76	99.76	21,000,000.00	21,000,000.00	0.00	0.00	21,000,000.00	0.00
Beiren Yuxin	68.66	68.66	15,400,000.00	15,400,000.00	0.00	15,400,000.00	0.00	0.00
Shaanxi Beiren	86.24	86.24	99,180,000.00	99,180,000.00	0.00	0.00	99,180,000.00	0.00
Sub-total			222,427,699.26	201,060,699.26	21,510,400.00	72,758,400.00	149,812,699.26	0.00
Equity Method								
Beijing Monigraf Automations Co., Ltd.	49	49	3,675,000.00	8,879,213.01	78,626.14	0.00	8,957,839.15	0.00
Beijing Beijing Casting Co., Ltd.	20	20	1,136,000.00	6,221,382.31	387,862.90	0.00	6,609,245.21	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	15,100,595.32	466,489.04	0.00	15,567,084.36	0.00
Total			249,778,699.26	216,161,294.58	21,976,889.04	72,758,400.00	165,379,783.62	0.00

(3) Associated companies

Name of invested companies	Shareholding proportion (%)	Voting rights proportion (%)	Total assets at the end of period	Total Liabilities at the end of period	Net assets at the end of period	Total operating income for the current period	Net income for the current period
Associated companies							
Beijing Monigraf Automations Co., Ltd.	49	49	23,616,057.32	5,641,120.45	17,974,936.87	18,699,235.50	160,461.52
Beijing Beijing Casting Company Limited	20	20	76,994,768.21	43,948,542.21	33,046,226.00	109,107,086.82	1,939,314.51
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	49	49	90,140,777.78	149,870,096.92	-59,729,319.14	76,916,734.68	-28,081,399.04
Total			190,751,603.31	199,459,759.58	-8,708,156.27	204,723,057.00	-25,981,623.01

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

XVI. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT (cont'd)

4. Operating income and cost

Item	2010	2009
Operating income	430,156,999.76	430,898,134.81
Non-operating income	14,684,323.58	13,619,803.18
Total	444,841,323.34	444,517,937.99
Operating cost	378,185,887.78	423,295,583.18
Non-operating cost	6,384,415.26	4,946,751.00
Total	384,570,303.04	428,242,334.18

(1) Operating income/cost – in classification of products/business

Item	2010		2009	
	Operating income	Operating cost	Operating income	Operating cost
Printing machine	418,884,724.34	368,848,358.39	425,417,992.90	415,478,634.75
Attachment	11,017,799.59	9,024,920.73	5,461,630.21	7,814,681.75
others	254,475.83	312,608.66	18,511.70	2,266.68
Total	430,156,999.76	378,185,887.78	430,898,134.81	423,295,583.18

Total income from top five customers was RMB81,710,164.92, representing 18.37% of total income.

5. Investment income

(1) Sources of investment income

Item	2010	2009
Investment income of long-term shareholding in equity method	466,489.04	622,102.42
Investment income of disposal of long-term shareholding investment	125,144,087.84	-2,484,000.00
Total	125,610,576.88	-1,861,897.58

There was no significant limit for remittance of investment income.

(2) Investment income of long-term shareholding in equity method

Item	2010	2009	Reasons for movement
Total	466,489.04	622,102.42	
Among the total:			
Beijing Beiying Casting Company Limited	387,862.90	537,781.17	Decrease on profit
Beijing Monigraf Automations Co., Ltd.	78,626.14	84,321.25	Decrease on profit
Beijing Mitsubishi Heavy Industries Co., Ltd.	0.00	0.00	

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

XVI. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT *(cont'd)*

6. Parents Income statement Supplementary Information

Item	2010	2009
1. Consolidated Net profit into Cash Flow From Operating Activities:		
Net Profit	-14,000,538.34	-152,695,508.46
Add: Asset impairment	64,876,491.11	30,293,161.69
Depreciation – Fixed assets	28,912,222.20	32,576,635.11
Amortization – Intangible Assets	2,264,507.04	2,343,369.72
Amortization – Long term deferred expenses	44,000.00	66,000.00
Loss from the sale of fixed assets, intangible assets and other long-term assets (earnings show as “-”)	4,239,678.05	-1,058,330.32
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 expense (earnings show as “-”)	12,326,450.73	13,090,188.00
Loss on Investment (earnings show as “-”)	-125,610,576.88	-1,861,897.58
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 “-”)	97,192,107.22	150,772,618.04
Decrease on Operating Receivables (increases show as “-”)	26,296,225.22	54,480,733.29
Increase on Operating Payables (decreases show as “-”)	-129,207,585.21	-37,196,038.60
Others	709,500.18	0.00
Net Value on Cash Flow From Operating Activities	-31,957,518.68	90,810,930.89
2. Non-cash income and expenditure of the major investment and financing activities:		
Conversion of debt into capital		
Convertible corporate bonds-Due within 1 year		
Finance lease of fixed assets		
3. Net changes in cash and cash equivalents:		
Closing Balance of cash	74,222,278.37	86,568,028.75
Less: Opening Balance of cash	86,568,028.75	47,941,532.77
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	-12,345,750.38	38,626,495.98

XVII. Supplementary Information

1. Non-operating profit and loss statement

Item	2010	2009	Note
Profit and loss from Non current-assets	4,279,750.48	764,693.49	VIII. 40 & 41
Government subsidies in current profit and loss	9,675,745.75	8,435,792.39	VIII. 40
Debt restructuring gains and losses	1,583,495.15	22,577.81	VIII. 40
Impairment reversal on impairment tested receivables	1,161,100.00	764,232.29	VIII. 3
Adjustment impact on the current profit and loss in according to the tax, accounting and other laws and regulations	0.00	-456,479.58	
Profit and loss on transfer of holding long-term equity investment	172,039,266.78	630,814.67	VIII. 39
Other non-operating income and expenses	99,483.45	1,383,093.49	VIII. 40 & 41
Sub-total	188,838,841.61	11,544,724.56	
Income tax effect	0.00	0.00	
Minority Interests effect (after tax)	556,670.32	732,517.57	
Total	188,282,171.29	10,812,206.99	

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2010

XVII Supplementary Information (cont'd)

2. Accounting Data variation between P.R.C accounting standards and Hong Kong GAAP

Unit: RMB'000

Item	Net profit		Net assets	
	2010	2009	2010	2009
Under HK GAAP:	27,422	-179,187	761,113	733,852
1. Difference in valuation of net assets contributed to the Company by Beiren Group Corporation	-60,198	0	0	60,198
2. Consequential adjustment on net assets contributed by Beiren Group Corporation	48,475	-66	0	-48,475
3. Difference in valuation of capital contribution to subsidiaries	-166	-31	0	166
4. Recognition of goodwill upon acquisition of a subsidiary	1,344	0	-3,135	-4,479
5. Amortization of goodwill upon acquisition of a subsidiary	-1,344	0	3,135	4,479
6. Differences in recognition of deferred tax assets/liabilities	0	0	0	0
7. Differences in depreciation, written off and recognition of assets	0	0	0	0
8. Others	3,937	-234	0	-2,432
Under PRC accounting standards	19,470	-179,518	761,113	743,309

Note: The Company has transferred real estate located at Fatou Factory area to its parent company, Beiren Group Corporation during this period. It was accounted into intangible assets in accordance with P.R.C accounting standard while variation has arisen in comparison with Hong Kong GAAP which was reversed; therefore the arisen net profits variation is RMB 7,952,000.

3. 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	3.04	0.05	0.05
Net profit for equity holders of the parent company after extraordinary items	-22.62	-0.39	-0.39

XVIII APPROVAL OF FINANCIAL STATEMENTS

The Company's financial statements were issued with the approval of the Board of the directors of the Company on 17 Mar 2011.

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 2010 were summarized as follows:

Operating Results

(Prepared under Hong Kong Financial Reporting Standards)

	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
Turnover	800,024	748,384	739,161	1,052,869	966,077
Profit (loss) before tax	32,921	(179,659)	(289,070)	6,157	(103,197)
Taxation	(5,499)	472	3,957	(870)	(17,346)
Profit (loss) for the year	27,422	(179,187)	(285,113)	5,287	(120,543)
Attributable to:					
Equity attributable to owners of the Company	740,271	708,677	882,351	1,148,748	(119,794)
Non-controlling interests	20,842	25,175	30,688	50,375	(749)

Balance Sheet

(Prepared under Hong Kong Financial Reporting Standards)

	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
Assets					
Current assets	750,854	935,219	1,108,591	1,318,635	1,223,246
Non-current assets	705,105	793,108	840,552	891,646	899,355
Total assets	1,455,959	1,728,327	1,949,143	2,210,281	2,122,601
Liabilities					
Current liabilities	645,812	937,567	972,517	954,129	927,647
Non-current liabilities	49,034	56,908	63,587	57,029	2,000
Total liabilities	694,846	994,475	1,036,104	1,011,158	929,647
Total equity	761,113	733,852	913,039	1,199,123	1,192,954
Attributable to:					
Equity attributable to owners of the Company	740,271	708,677	882,351	1,148,748	1,142,674
Non-controlling interests	20,842	25,175	30,688	50,375	50,280

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
17 March 2011

CONFIRMATION ON THE 2010 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 2010 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
Zhao Guorong	Chairman		Jiao Ruifang	Secretary to the Board of Directors	
Zhang Peiwu	Executive director and 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				
Wang Hui	Independent non-executive director				
Xie Bingguang	Independent non-executive director				
Wang Deyu	Independent non-executive director				

The Board of Directors of Beiren Printing Machinery Holdings Limited
17 March 2011