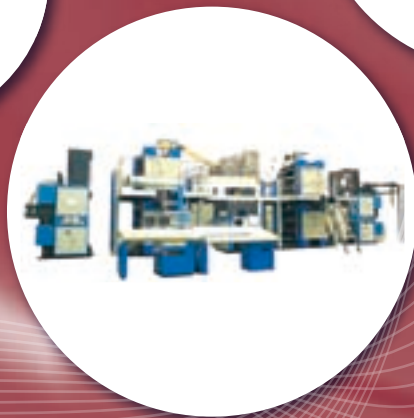


北人
BEIREN

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
2011

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IMPORTANT NOTES

1. The board of directors (the “Board”), the Supervisory Committee and the directors (the “Directors”), supervisors and senior management of Beiren Printing Machinery Holdings Limited (the “Company”) warrant that there are no false representations or misleading statements contained in or material omission from this report and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the contents herein contained.
2. There were eight directors of the Company eligible for attending the meeting, seven of them attended the meeting. Ms. Wei Li, one of the Directors were absent from the meeting due to business engagements and authorized Mr. Li Shenggao be her proxy to vote on her behalf.
3. Shinewing Certified Public Accountants has issued an audit report without qualified opinion for the Company.
4.

Person-in-charge of the Company	Zhang Peiwu
Accounting Director	Jiang Chi
Accounting Manager (Chief Accountant)	Qin Yu
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	Zhang Peiwu

(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 (Financial report and audit)	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
Domestic auditors of the Company	BDO China Shu Lun Pan Certified Public Accounts LLP
Address of domestic auditors of the Company	4/F, 61 Nanjing Road East, Huangpu District, Shanghai
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

Authorised scope of operation: production of printing machines, press equipments, packing machines and parts and components for the aforesaid machines; general logistics.

General scope of operation: development, design and sales, maintenance and installation of printing machines, press equipments, packing machines and parts and components for the aforesaid machines; technical consultancy, technical support, technical training for printing equipments and printing skills; management of the export of own enterprises’ and member enterprises’ selfproduced products and technology; the import of own enterprises and member enterprises production of the required auxiliary materials, instruments and meters, parts and components of machine tools 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”; the rental of office space, machineries and equipments; sales of printing machines.

(I) Major Accounting Figures

Unit: RMB

Item	Amount
Operating profit	-29,435,424.59
Total profit	13,659,848.54
Net profit attributable to shareholders of listed company	11,382,900.84
Net profit attributable to shareholders of listed company after extraordinary items	-30,853,075.37
Net cash flow from operating activities	-20,898,129.06

(II) Deducting Extraordinary Items and Amount

Unit: RMB

Extraordinary items	Amount of 2011	Amount of 2010	Amount of 2009
Profit and loss from disposal of non-current assets	14,958,555.12	4,279,750.48	764,693.49
Government subsidy accounted into profit and loss for the current period (except for those closely associated with the ordinary operations of the Company which were accounted for in certain standard amount or volume in compliance with the requirement of the policies of the State and in accordance with uniform standard of the state)	2,615,267.06	9,675,745.75	8,435,792.39
Profit and loss from debt restructuring	96,281.69	1,583,495.15	22,577.81
Reversal of impairment allowances for receivables individually tested for impairment		1,161,100.00	764,232.29
Other net non-operating income/ expenses save for the above	25,425,169.26	99,483.45	1,383,093.49
Transfer of the profits and loss from long-term equity investment		172,039,266.78	630,814.67
Effect of one-off adjustment made on the current profits and loss in accordance with the requirements of the taxation and accounting laws and regulations			-456,479.58
Effect on minority interests	-859,296.92	-556,670.32	-732,517.57
Total	42,235,976.21	188,282,171.29	10,812,206.99

SUMMARY OF ACCOUNTING AND OPERATIONAL DATA

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

Key Financial Data	<i>Unit: RMB</i>			
	2011	2010	Changes over the same period of the preceding year (%)	2009
Income from principal operations	803,873,926.57	821,357,719.69	-2.13	767,668,587.26
Operation income	-29,435,424.59	9,331,102.58	-415.45	-190,596,068.45
Total profit	13,659,848.54	24,969,577.41	-45.29	-179,989,911.27
Net profit attributable to shareholders of listed company	11,382,900.84	22,279,381.53	-48.91	-174,004,582.85
Net profit attributable to shareholders of listed company after extraordinary items	-30,853,075.37	-166,002,789.76	81.41	-184,816,789.84
Net cash flow from operating activities	-20,898,129.06	6,517,405.27	-420.65	120,659,594.60
	As at the end of 2011	As at the end of 2010	Changes from the end of 2010 to the end of 2011 (%)	As at the end of 2009
Total asset	1,485,441,846.03	1,457,360,678.14	1.93	1,737,782,547.50
Total liabilities	710,699,175.44	696,247,855.87	2.08	994,473,594.68
Equity attributable to equity holders of the listed company	756,382,308.67	744,999,407.83	1.53	722,862,519.49
Total capital	422,000,000.00	422,000,000.00	0.00	422,000,000.00
			<i>Unit: RMB</i>	
Major financial indicators	2011	2010	Changes from the end of 2010 to the end of 2011 (%)	2009
Basic earnings per share (RMB/share)	0.03	0.05	-40.00	-0.41
Diluted earnings per share (RMB/share)	0.03	0.05	-40.00	-0.41
Earnings per share calculated with the latest capital (RMB/share)	N/A	N/A	N/A	N/A
Basic earnings per share after extraordinary items (RMB/share)	-0.07	-0.39	82.05	-0.44
Returns on net assets on weighted average basis (%)	1.52	3.04	-1.52%	-21.49
Return on net assets on weighted average basis after extraordinary items (%)	-4.11	-22.62	+18.51%	-22.82
Net cash flow per share from operating activities (RMB/share)	-0.05	0.02	-350.00	0.29
	As at the end of 2011	As at the end of 2010	Changes from the end of 2010 to the end of 2011 (%)	As at the end of 2009
Net asset per share attributable to shareholders of listed company (RMB/share)	1.79	1.77	1.13	1.71
Gearing ratio (%)	47.84	47.77	+0.07%	57.23

(I) Changes in Share Capital

1. Statement of changes in share capital

Unit: Share

	Before change		Increase/decrease in this change (+/-)					After change	
	Number	Percentage (%)	Issue of new shares	Conversion from reserves	Bonus issue	Others	Sub-total	Number	Percentage (%)
(I) Shares subject to trading moratorium (Nil)									
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.

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 2011, 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 2011:	
	Opening price at beginning of year:	HK\$2.86
	Closing price at end of year:	HK\$1.54
	Highest price:	HK\$3.65
	Lowest price:	HK\$1.48
(2)	A Shares prices in 2011:	
	Opening price at beginning of year:	RMB7.10
	Closing price at end of year:	RMB4.05
	Highest price:	RMB8.94
	Lowest price:	RMB3.72

(III) Shareholders and Beneficial Controller

1. Number of shareholders and their shareholding

Unit: Share

Total number of shareholders at the end of 2011: 17,159 (including: 17,075 A share holders and 84 H share holders)

Total number of shareholders at the end of a month prior to the publishing of annual report 17,581 (including 17,497 A share holders and 84 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	0	0	Nil
HKSCC NOMINEES LIMITED	unknown	23.35	98,543,199	234,000	0	unknown
CITIC Trust Co., Ltd - 0808 Quanpei 03	unknown	0.72	3,021,542	3,021,542	0	unknown
China Foreign Economic and Trade Trust Co. Ltd. - Guomiao Phase 1 Trust Scheme	unknown	0.54	2,296,800	2,296,800	0	unknown
Rising Securities Co., Ltd.	unknown	0.33	1,389,772	-1,014,133	0	unknown
Beijing Tonglong Investment Consulting Co., Ltd.	unknown	0.31	1,290,551	1,290,551	0	unknown
Zhan Chunxin	unknown	0.21	900,000	900,000	0	unknown
Wu Zhiqiang	unknown	0.19	820,000	0	0	unknown
Tao Neng	unknown	0.18	748,477	748,477	0	unknown
Tang Binbin	unknown	0.17	736,300	736,300	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	98,543,199	Foreign shares listed overseas	98,543,199
CITIC Trust Co., Ltd – 0808 Quanpei 03 China Foreign Economic and Trade Trust Co. Ltd. – Guomiao Phase 1 Trust Scheme	3,021,542	Renminbi ordinary shares	3,021,542
Rising Securities Co., Ltd.	2,296,800	Renminbi ordinary shares	2,296,800
Beijing Tonglong Investment Consulting Co., Ltd.	1,389,772	Renminbi ordinary shares	1,389,772
Zhan Chunxin	1,290,551	Renminbi ordinary shares	1,290,551
Wu Zhiqiang	900,000	Renminbi ordinary shares	900,000
Tao Neng	820,000	Renminbi ordinary shares	820,000
Tang Binbin	748,477	Renminbi ordinary shares	748,477
	736,300	Renminbi ordinary shares	736,300

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, as at 31 December 2011, 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 2011, 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

① 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.

② 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: RMB'000

Name	Beiren Group Corporation
The person in charge of the Company or Legal representative	Zhang Peiwu
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

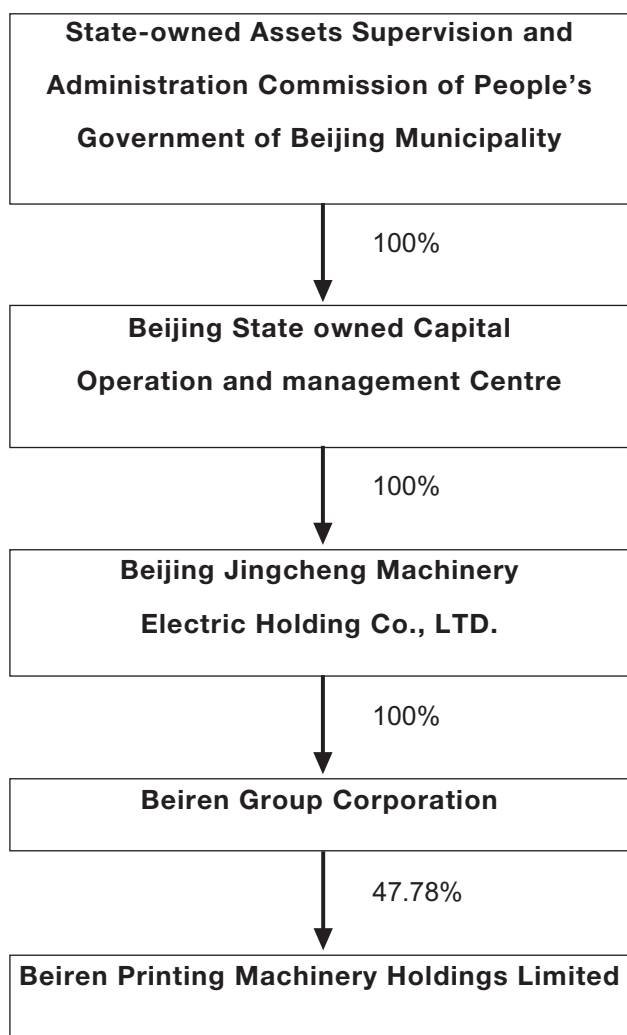
Registered capital 163,454.55

Principle activities State-own 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.

(5) 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 (RMB'000)	Whether receiving any remuneration or allowance from shareholder entities or other associated entities
Zhang Peiwu	Chairman and General Manager	Male	48	18 May 2011	18 May 2014	0	0		70.36	No
Teng Mingzhi	Director	Male	39	18 May 2011	18 May 2014	0	0		0	Yes
Li Shenggao	Director	Male	35	18 May 2011	18 May 2014	0	0		0	Yes
Wei Li	Director	Female	49	18 May 2011	18 May 2014	0	0		0	Yes
Xu Wencai	Independent Non-executive Director	Male	54	18 May 2011	18 May 2014	0	0		4	No
Wang Hui	Independent Non-executive Director	Female	50	18 May 2011	18 May 2014	0	0		4	No
Xie Bingguang	Independent Non-executive Director	Male	56	18 May 2011	18 May 2014	0	0		4	No
Wang Deyu	Independent Non-executive Director	Male	37	18 May 2011	18 May 2014	0	0		4	No
Wang Liansheng	Chairman of the Supervisory Committee	Male	53	18 May 2011	18 May 2014	0	0		53.70	No
Guo Xuan	Supervisor	Male	41	18 May 2011	18 May 2014	0	0		19.13	No
Wang Huiling	Supervisor	Female	48	18 May 2011	18 May 2014	0	0		16.88	No
Jiao Ruifang	Secretary to the Board of Directors	Female	34	18 May 2011	18 May 2014	0	0		53.69	No
Kong Dagang	Deputy General Manager	Male	53	18 May 2011	18 May 2014	0	0		53.93	No
Chen Changge	Deputy General Manager	Male	44	18 May 2011	18 May 2014	0	0		38.52	No
Jiang Chi	Chief Account	Female	36	27 October 2011	18 May 2014	0	0		3.31	No
Zhao Grorong	Former Chairman	Male	40	18 May 2011	12 January 2012	0	0		0	Yes
Duan Yuangang	Former Director and Chief Account	Male	37	18 May 2011	27 September 2011	0	0		57.12	No
Wang Bei	Former Director	Female	36	18 May 2011	27 September 2011	0	0		0	Yes
Total	/	/	/	/	/	0	0	/	382.64	/

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 2011, 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 SFO, 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 2011, 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 Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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.
- (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 2011.

(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 Seventh Board of Directors and supervisors of the Seventh Supervisory Committee is for a term commencing from 18 May 2011 to the closure of 2013 annual general meeting.
- (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) Zhang Peiwu, Chinese nationality, male, aged 48, Chairman 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 and the Chairman of Beiren Printing Machinery Holdings Limited since July 2007 and January 2012 respectively. He has years of experience in marketing and administration.
- (2) Teng Mingzhi, Chinese nationality, male, aged 39, Research Master degree in mechanical and electrical integration, senior engineer. Mr Teng was Deputy Head of Propaganda Unit of the Committee of the Party, Officer of the Secretariat, Assistant to the Director of Beijing Mechanical and Electrical Institute; Deputy Director of Beijing Mechanical and Electrical Institute; Deputy Director of Resource Allocation and Company Reform of Beijing Jingcheng Mechanical & Electrical Holding Co., Ltd.; Director of Strategic Planning and Technology of Beijing Jingcheng Mechanical & Electrical Holding Co., Ltd. At present Mr. Teng is Secretary to the Board, Director of the Board Office, Director of the Communist Party Committee Office and Director of Dispatched Directors and Supervisors Office of Beijing Jingcheng Mechanical & Electrical Holding Co., Ltd. Mr Teng has rich experience in strategic management and technical management. Mr. Teng has served Beiren Printing Machinery Holdings Limited since May 2011.
- (3) Li Shenggao, Chinese nationally, male, aged 35, graduate from Harbin University of Science and Technology with a bachelor degree in accounting. He further obtained a master degree from Guanghua Management College, Beijing University. Mr. Li is a certified accountant and senior account. He was an accountant, the manager of financial department and the assistant to the Chief Accountant of Babcock & Wilcox Beijing Company Ltd (a sino-american company), the general manager of Beijing Yan Long Import and Export Co., Ltd. (a legal person) and the general manager of 無錫市北人協民印刷機械廠(a legal person). Since October 2008, he has been the CFO of Beiren Group Corporation, the general manager of 上海北人集團綜合貿易商廈(a legal person), the vice chairman of Beijing Beiren Gunze Machinery Co., Ltd (a sino-japanese company), a director of 海門北人印刷機有限公司 and the branch manager of the Shenzhen branch of Beiren Group Corporation (legal representative). Mr. Li has in-depth knowledge in the comprehensive budget management and cost control, corporate internal control and risk management as well as corporate financial planning and tax planning. Mr. Li has served Beiren Printing Machinery Holdings Limited since May 2011.
- (4) Wei Li, Chinese nationality, female, aged 49, Editor (編審), graduate of printing mechanics from Xian Polytechnic, graduate of EMBA of 阿靈頓 Campus, University of Texas. Ms Wei was Chief Editor, Director of Printing Technology Magazine Company of China Printing Science and Technology Research Institute; Director, Deputy Director of China Printing Science and Technology Research Institute. At present, she is the Deputy General Manager of Beiren Group Company, Director of Beijing Printing Machinery Institute, General Manager of 北京北人大酒店etc. Ms Wei is familiar with the printing and publishing sector, and has extensive experience in corporate governance, strategy and investment, human resources management, remuneration and incentive and administration. Mr. Wei has served Beiren Printing Machinery Holdings Limited since May 2011.
- (5) Xu Wencai, Chinese nationality, male, aged 54, Independent Non-executive Director, 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 Deputy 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. Mr. Xu has served Beiren Printing Machinery Holdings Limited since July 2008.

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

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

- (6) Wang Hui, Chinese nationality, female, aged 50, Independent Non-executive Director, a postdoctor, a deputy researcher. Ms. Wang was a 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. Mr. Wang has served Beiren Printing Machinery Holdings Limited since July 2008.
- (7) Xie Bingguang, Chinese nationality, male, aged 56, Independent Non-executive Director, LL.M., a solicitor. Mr. Xie is now Head and a 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. Mr. Xie has served Beiren Printing Machinery Holdings Limited since July 2008.
- (8) Wang Deyu, Chinese nationality, male, aged 37, Independent Non-executive Director, MBA, a qualified Chinese Certified Public Accountant. Mr. Wang was a loan officer of Yantai branch of Bank of China; auditor of Zeng Fu Cheng Accounting Firm in (曾福成會計公司 Singapore; special assistant to General Manager of Yantai Wanhua Polyurethanes Co., Ltd.; Senior Consultant of BearingPoint (Shanghai) Limited; and manager of PricewaterhouseCoopers (Beijing) Company. He is currently Financial Director of Sichuan Lessin Department Store Ltd. Mr. Wang has served Beiren Printing Machinery Holdings Limited since July 2008.
- (9) Mr. Wang Liansheng, Chinese nationality, male, aged 53, 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.
- (10) Guo Xuan, Chinese nationality, male, aged 41, 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.
- (11) Wang Huiling, Chinese nationality, female, aged 48, a Supervisor, obtained a degree in corporate administration, a degree in Economics and is a senior economist and internationally registered internal auditor. Ms. Wang started working in Beiren Printing Machinery Holdings Limited from August 1987 and has been the planner of Beiren Printing Machinery Holdings Limited and the manager of its subsidiaries. She has been appointed as Deputy Head and Head of Business Administration and Operation Department since May 2008. Ms. Wang has been appointed as the Head of Strategy and Operation Management Department and the Secretary to the board of directors of Shaanxi Beiren Printing Machinery Company Limited, a subsidiary of the Company. She has years of experience in corporate management as well as financial analysis.
- (12) Jiao Ruifang, Chinese nationality, female, aged 34, Secretary to the Board of Directors, 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)*

- (13) Kong Dagang, Chinese nationality, male, aged 53, 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 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 development, corporate operation and corporate management.
- (14) Chen Changge, male, Chinese nationality, aged 44, Deputy General Manager, 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, 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 served Beiren Printing Machinery Holdings Limited since October 1990. He has been the Deputy General Manager of Beiren Printing Machinery Holdings Limited since September 2010. Mr. Chen has extensive experience in corporate culture research, production management and corporate operation.
- (15) Jiang Chin, Chinese nationality, female, aged 36, graduated from Beijing Technology and Business University with a degree in Economics. Ms. Jiang is a senior account and worked in Beijing Double-Crane Pharmaceutical Co., Ltd. as Accountant, Century Industry Investment Co., Ltd. as Financial Officer, China National Pharmaceutical Group Corporation as Assistant to Financial Manager, Huayi Pharmaceutical Co. Ltd. as Financial Manager, Beijing Jingcheng Mechanical & Electrical Holding Co., Ltd. as Budget Financial Officer and Beijing Jingcheng Mechanical & Electrical Holding Co., Ltd. as Deputy Head of Financial Planning Department. Ms. Jiang has served Beiren Printing Machinery Holdings Limited since September 2011 and has been appointed as the Chief Accountant of Beiren Printing Machinery Holdings Limited and has years of experience in financial management.
- (16) Zhao Guorong, Chinese nationality, male, aged 40, former 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 was 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. Mr. Zhao has served Beiren Printing Machinery Holdings Limited since 12 January 2012.
- (17) Duan Yuangang, Chinese nationality, male, aged 37, 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 from January 2009 to September 2011. Mr. Duan Yuangang has extensive experience in financial management. Mr. Duan has served Beiren Printing Machinery Holdings Limited since 27 September 2011.
- (18) Wang Pei, Chinese nationality, female, aged 36, former Director, graduate of finance, Bachelor in economics, accountant. Ms. Wang was Accountant of Finance Department of Beijing Heavy Electrical and Mechanical Plant; Manager of Finance Department and Director, Deputy Chief Accountant of Finance Department of 北京北重汽輪電機有限責任公司. At present, she is Deputy General Manager of 北京京城國際融資租賃有限公司. Ms Wang has rich financial management experience. Ms. Wang has served Beiren Printing Machinery Holdings Limited since 27 September 2011.

(II) Positions in Shareholder Entities

Name	Name of shareholder entity	Position(s)	Date of appointment	End of appointment	Whether receiving any remuneration or allowance
Li Shenggao	Beiren Group Corporation	Chief Financial Office	2008-10		Yes
Wei Li	Beiren Group Corporation	Deputy General Manager	2009-12		Yes

Positions in Other Entities

Name	Name of other entity	Position(s)	Date of appointment	End of appointment	Whether receiving any remuneration or allowance
Teng Mingzhi	Beijing Jingcheng Mechanical & Electrical Holding Co., Ltd.	Sectary to the Board Officer of the Board office Director of the Communist Party Committee Office Director of the Secondment Office of Directors and Supervisors	2011-9		Yes

(III) Remunerations of Directors, Supervisors and Senior Management

Decision making process of remuneration of directors, supervisors and senior management	Proposal is made by Remuneration and Monitoring Committee of the Board, considered and approved by the Board and reported to the general meeting through the Board for consideration and approval.
Basis for determination of remuneration for directors, supervisors and senior management	It is determined in accordance with the annual average salary of respective directors, supervisors and senior management, including the three levels of high, medium and low in the same industry, and the annual salary standard of the listed companies overseas, together with responsibilities, working hours, working missions and outstanding contributions of related persons of the Company.
Actual payment to the remuneration of the Directors, Supervisors and senior management	"Changes in the shareholding and remuneration of the Directors, Supervisors and senior management" (see chart).

(IV) Changes in Directors, Supervisors and Senior Management

Name	Position	Situation	Reason of change
Zhang Peiwu	Chairman	Appointed	Elected as Chairman
Jiangchi	Chief Accountant	Appointed	Appointed by the Board
Zhao Guorong	Former Chairman	Resigned	Resigned because of change in work
Duan Yuangang	Former Director and Chief Accountant	Resigned	Resigned because of change in work
Wang Pei	Former Director	Resigned	Resigned because of change in work

Explanations:

(1) The 2010 Annual General Meeting of the Company was held on 18 May 2011. The proposals on the election of the new session of the Board of Directors and the Supervisory Committee were considered. Mr. Zhao Guorong, Mr. Zhang Peiwu, Mr. Teng Mingzhi, Ms. Wang Pei, Mr. Li Shenggao, Ms. Wei Li, Mr. Duan Yuangang, Mr. Xu Wencai, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu were elected as directors of the seventh Board of Directors of the Company, of whom, Mr. Xu Wencai, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu were elected as independent non-executive directors of the seventh Board of Directors of the Company. Mr. Wang Liansheng, Mr. Guo Xuan and Ms. Wang Huiling were elected as supervisors of the seventh Supervisory Committee of the Company.

(2) Upon the consideration of the first meeting of the seventh Board of Directors of the Company, Mr. Zhao Guorong was elected as chairman of the seventh Board of Directors of the Company. Upon the consideration and approval of the first meeting of the seventh Board of Directors of the Company, as nominated by the Chairman, Mr. Zhang Peiwu was appointed as General Manager of the Company, and Ms. Jiao Ruifang was appointed as the secretary to the Board of the Company. As nominated by the General Manager, Mr. Kong Dagang and Mr. Chen Changge were appointed as Deputy General Managers of the Company, and Mr. Duan Yuangang as Chief Accountant of the Company.

(3) As nominated by the Board of Directors, and approved unanimously by attending directors, Mr. Zhao Guorong, Mr. Xu Wencai, Mr. Zhang Peiwu, Mr. Teng Mingzhi and Mr. Duan Yuangang were voted as the members of the Strategic Committee of the Board, with Mr. Zhao Guorong as the convenor; Mr. Xu Wencai, Ms. Wang Hui and Ms. Wei Li were voted as the members of the Nomination Committee, with Mr. Xu Wencai as the convenor; Mr. Wang Deyu, Mr. Xie Bingguang and Mr. Li Shenggao were voted as the members of the Audit Committee, with Mr. Wang Deyu as the convenor; Ms. Wang Hui, Mr. Wang Deyu and Mr. Zhao Guorong were voted as the members of Remuneration and Monitoring Committee, with Ms. Wang Hui as the convenor.

The term of appointment for all the above persons is three years from 18 May 2011 to the closing of 2013 annual general meeting. The above matters were disclosed on Shanghai Securities News on 19 May 2011 as well as the website of the Shanghai Stock Exchange <http://www.sse.com.cn> and the website of Hong Kong Stock Exchange <http://www.hkexnews.hk> on 18 May 2011.

(4) On 12 January 2012, the Board considered and passed to elect Mr. Zhang Peiwu as the Chairman of the Seventh Board of the Company on the second extraordinary board meeting of the Seventh Board of Directors. This matter was disclosed on Shanghai Securities News on 13 January 2012 as well as the website of the Shanghai Stock Exchange <http://www.sse.com.cn> and the website of Hong Kong Stock Exchange <http://www.hkexnews.hk> on 12 January 2012.

(5) Due to job changes, Mr. Zhao Guorong tendered his resignation to the Board of the Company, resigning from the positions of Director and Chairman of the Board of the Company, which became effective on 12 January 2012. This matter was disclosed on Shanghai Securities News on 13 January 2012 as well as the website of the Shanghai Stock Exchange <http://www.sse.com.cn> and the website of Hong Kong Stock Exchange <http://www.hkexnews.hk> on 12 January 2012.

(6) Due to job transfer, Mr. Duan Yuangang and Ms. Wang Bei tendered their resignation to the Board of the Company, resigning from director posts of the Company respectively. Mr. Duan also resigned as Chief Accountant of the Company. All changes became effective on 27 September 2011. These matters were disclosed on Shanghai Securities News on 28 September 2011 as well as the website of the Shanghai Stock Exchange <http://www.sse.com.cn> and the website of Hong Kong Stock Exchange <http://www.hkexnews.hk> on 27 September 2011.

(V) Details of the Staff

Total number of existing employees 1,635 Number of retired staff who incurred expenses of the Company 2,659

Professional

Professional type	Number of persons
Production staff	821
Sales staff	107
Technical staff	190
Financial staff	37
Management staff	183
Others	297

Educational Background

Education level	Number of persons
Master's degree	34
University graduates	237
Associate degree	341
Secondary technical graduates	97
Senior high school graduates and Technical school graduates	694
Professional school graduates or below	232

(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. The Company, after taking into consideration the Company's specific situation, had drafted the "Management System for standardizing funds transactions with connected parties" and amended several documents including the Articles of Association, the Procedural Rules of the Meetings of the Board of Directors, the Procedural Rules of the Meetings of the Supervisory Committee and Insiders Registration and Management System by Listed Companies to ensure the Company's Companies 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 2010, 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. During the reporting period, the Company did not need to make any governance rectification.**(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

Mater plan of the internal control construction

1. According to the changes in organization, the Company will adjust its leading team and work team for the implementation of the internal control.
2. According to the requirements in the Company's internal control system, in line with the new strategic development objective and the changes in internal and external environment, the evaluation and testing of the previous internal control risk points will be conducted and the internal control risk inventory will in turn be amended.
3. In accordance with the requirements of the application guidance on the internal control, the Company will organise and complete the amendment to the internal control system manual according to the new risk inventory and division of responsibilities in the new organisation on a timely manner, and implement the control measures of risk points at business processes and key positions based on the progress of the project of sorting out business processes.
4. We will revise evaluation standards for internal control deficiencies according to the amended internal control manual of the Company, and organise and implement the internal audit, inspection and evaluation, actively implement deficiencies rectification and inspect and implement the results.
5. We will actively push forward and implement the internal control construction and implementation of internal control standards for subsidiaries, Shaanxi Beiren and Beiren Fuji Company.

Work plan on establishing and improving the internal control system and its implementation

1. According to the requirements of the Board of the Company, in line with the new strategic development objective and the changes in internal and external environment, we organised and conducted the evaluation and testing of the previous internal control risk points, of which 32 were amended, 2 added and 14 cancelled. There are a total of 99 risk points in the new risk inventory, of which 21 are material risk points, 45 moderate risk points and 33 low risk points. Internal control manual was amended accordingly.
2. According to the division of responsibilities for the new organization, amendment was made to the previous internal control system manual, and further improvements were made on the evaluation standards on the internal control deficiencies and the self-evaluation manual.
3. In accordance with the requirements of the State's five ministries and commissions and CSRC, Beijing Regulatory Bureau, the Company conducted the tendering in relation to engaging the external accounting firm for internal control audit in strict compliance with the statutory procedures. After the approval of the Company's Board and the general meeting of shareholders, Shu Lun Pan Certified Public Accountants was determined as the annual internal control auditor.
4. Through the project of business processes management, centering around 99 internal control risks control points, the Company implemented the control measures for 279 risk points at 123 key business processes and key positions, improved the corresponding responsibilities of positions and authorization management, to ensure the effective implementation of the internal control.
5. The Department of Audit and Legal Affairs of the Company organised and completed the internal control audit and the self-evaluation, conducted internal audit over the internal control implementation of the Company and subsidiaries according to the internal control self-evaluation standards and issued the internal control deficiencies report, which was issued to every unit to complete the rectification of the deficiencies upon the approval of leaders.
6. We provided guidance to subsidiaries with respect to their implementation of internal control standards. In accordance with the schedule of annual implementation scheme of the Board of the Company, we conducted on-site internal control inspection over the trial operation and the implementation of self-evaluation work for Shaanxi Beiren Group Corporation; we provided guidance to and urged Beiren Fuji Company to establish internal control system, complete the design, trial operation and self-evaluation of three business modules; we supervised our subsidiaries to complete the improvements on the internal control implementation and rectification of deficiencies on a conscientiously manner according to the requirements of the pre-auditing for the external audit, which ensured the subsidiaries completed the annual work plan according to the Board's requirements.

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

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, revised and optimized the internal control assessment standards and proposals in accordance with the newly revised internal control handbook of the Company, 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 authenticity of financial report as at 31 December 2011 was deemed effective.

The arrangement for the internal control-related work by the Board of Directors

- Chairman and General Manager of the Company presided over and held special meeting to mobilize and deploy the project of the implementation of internal control system and management process, and included this work in the key aspect of annual economic responsibility system and performance evaluation for each unit.
- Deputy General Manager in charge of internal control of the Company was debriefed about the internal control implementation and processes management on a weekly basis, put emphasis on the systematic, regulated and standard basic management, and actively implemented the realization of the effectiveness objective for the internal control implementation on the back of the progress of process management.

Improvements on the financial accounting-related internal control system

Finance-related areas include fundraising, capital, budget and financial reporting preparation modules. For the internal control system of each module of finance, improvements were made from six aspects, namely, internal control summary, organizational structure and responsibilities of departments, authorization system, procedures and control points, business flow chart, major control points related documents. By defining finance concept, scope of business flow, the control targets required to achieve, major business risks, major control nodes and the control policies and methods which need to be taken against these risk points, we clarified the responsibilities of departments and positions, separated the work of the departments and incompatible positions involved in the businesses and determined the authorizations of origination department, negotiation/counter sign department, discussion/audit department and approval department according to the authorization system, required each department to conduct the work within its scope of authorization to avoid the excess concentration of approval authorization; we will realize everything is guided and everything is documented by attaching the relevant documents for major control points.

Deficiencies of internal control and their rectification

- In July 2011, the Department of Audit and Legal Affairs conducted a company-wide legal and regulatory compliant inspection over the economic contracts signed, reported the results of such inspection to the Working Meeting of The General Manager, defined the competent department for contracts and formulated contracts management system and required the departments which have contracts-related problems to rectify within a time limit, which ensured the regulated operation of the Company's operations.
- Against the lack of provisions in relation to the cash on hand limit in the finance management system, Department of Finance was required to formulate the cap for the cash on hand, which had been implemented and reduced the risks of the Company's property losses.
- Inspection was conducted against the approval procedure of the annual budget to ensure the implementation of the budget management system.
- Inspection was conducted against the completeness and accuracy of the operation and maintenance log of IT system to strengthen the management of operation and maintenance services of software and hardware, establish and improve the registration system of maintenance and ensure the normal operation of the Company's information system.

(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) Internal control evaluation report 2011 of the Company

The Board of Directors and all its members warrant the truthfulness, accuracy and completeness of the contents of this report, and this report does not contain any false information, misleading statements or material omission.

To shareholders of Beiren Printing Machinery Holdings Limited,

The Board of Directors of Beiren Printing Machinery Holdings Limited (hereinafter referred to as the "Board") is responsible for establishing and maintaining sufficient financial reporting related internal control system.

The purposes of the financial reporting related internal control are to ensure the information contained in the financial report is true, complete and reliable, and to avoid the risks of material misstatement. Only reasonable assurance of the above purposes could be provided as there are inherent limitations in the internal control.

The Board conducted an evaluation on the internal control in respect of the financial reporting in accordance with the requirements of "Basic Standards for Corporate Internal Control" and thought it was effective on 31 December 2011(benchmark date).

The Board conducted self-evaluation of the internal control of all the above aspects during the year, and non-financial reporting related internal control deficiencies were identified from 1 January 2011 to the end of this reporting period.

Shu Lun Pan Certified Public Accountants LLP as engaged by the Company conducted auditing of the effectiveness of its financial reporting related internal control, and issued a standard unqualified auditors' report.

Beiren Printing Machinery Holdings Limited
 Chairman: **Zhang Peiwu**
 15 March 2012

1. Introduction to the Company

Beiren Printing Machinery Holdings Limited 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.

The Company possess an integrated development, design, production, sale and services and provides five series of singlesheet-fed offset presses, web-fed offset presses, commercial revolving presses, forms printing presses, soft cover presses and intaglio presses with different types and specifications in domestic market and the overseas markets.

2. 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 and control procedure, so as to ensure the healthy operation of all business activities of the Company;
- (3) To improve control, remove loopholes, eliminate latent dangers, 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 improve the information quality and ensure the authenticity, accuracy and completeness of the accounting information and financial report;
- (5) To ensure a thorough implementation of the relevant laws and regulations of the State as well as the Company's internal control system.

(V) Internal control evaluation report 2011 of the Company (cont'd)**2. Overview of the Company's internal control (cont'd)****(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. It must abide by 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.
- (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 Such as interal control for financial report 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 such as internal control for financial report 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 take actual situation into account and 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 to ensure its effective implementation.
- (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.

3. 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.

(V) Internal control evaluation report 2011 of the Company (cont'd)**3. Five key elements of the Company's internal control** (cont'd)**(1) Internal control environment** (cont'd)**(1) Corporate governance organizations** (cont'd)

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 six subsidiaries including Singlesheet-fed Manufacturing Branch, Web-fed Manufacturing Branch, Shannxi Beiren, Beiren Fuji and Mitsubishi Beiren 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 strengthened subsidiaries' strategic management, R&D management, finance supervision, personnel management, information disclosure management, as well as management on the supervision of economic operation and the assessment of economic operation depending on the holding of equity and in accordance with "Company Law" and the Articles of Association.

(3) Allocation of duties and power of the Company

The Company has established a clear division of duties and power 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 system 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 and supervise and examine the progress and result of the rectification made to such deficiency of internal control.

(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.

(V) Internal control evaluation report 2011 of the Company (cont'd)**3. Five key elements of the Company's internal control (cont'd)****(1) Internal control environment (cont'd)****(5) Human resources of the Company (cont'd)**

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 holding key positions.

(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 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, a completely harmonious and voluntary behaviour is created between Beiren's staff which facilitates the sustainable 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, including 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.

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.

(V) Internal control evaluation report 2011 of the Company (cont'd)**3. Five key elements of the Company's internal control (cont'd)****(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 and human resources
- (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.

4. The implementation of the internal control system**(1) According to the requirement of pushing forward the internal control system by the CSRC and to actively implement the annual implementation plan as approved by the Company's Board**

- (1) According to the Company's strategic development objectives during the "Twelfth Five-year Plan" period and the changes in the internal and external environment, we organized and conducted a reevaluation and testing of internal control risk points, and completed amendment to risk inventory and internal control manual.
- (2) On the back of the implementation of the project of business processes management, we implemented the control measures for the internal control risk points at key positions for every business process, amended responsibilities of positions, defined business authorization, implemented risk points control measures and focused on strengthening the internal control over the financial reporting.
- (3) We strengthened the internal control evaluation, organized the self-evaluation of internal control, issued the rectification proposal for internal control deficiencies over the problems, organized every unit to rectify and implement and monitored and inspected the rectification. The self-evaluation report was submitted to the Company's Working Meeting of The General Manager and the Board of Directors, with a view to make the internal control of every unit meet the requirements of Implementation Scheme for the Company's Internal Control Regulations.
- (4) In accordance with the requirements of the State's five ministries and commissions and CSRC, Beijing Regulatory Bureau, we engaged the external accounting firm to conduct an annual audit of the internal control of the Company. The tendering was conducted in strict compliance with the statutory procedures. After the approval of the tendering results by the Company's Board and the general meeting of shareholders, we signed entrustment contract with Shu Lun Pan Certified Public Accountants to conduct the external audit of the internal control.
- (5) We deepened the special training on the Application Guidelines for Enterprise Internal Control, and established a risks control-oriented and processes and positions-based corporate internal control culture where leaders play an exemplary role and the staff participate in.

(2) Actively pushing forward and completing the establishment of the internal control systems in subsidiaries

During the reporting period, the Company actively provided guidance to and pushed forward the establishment and effective implementation of the internal control systems in Shaanxi Beiren Group Corporation and Beiren Fuji Company. After comprehensive internal control training and processes sorting out, these two subsidiaries completed the design and implemented the trial implementation of the internal control system, conducted self-evaluation of internal control in a conscientious and regulated manner, realized the standard and effective implementation of the internal control system across subsidiaries and received the pre-audit of the external audit of the internal control and annual audit.

(V) Internal control evaluation report 2011 of the Company (cont'd)**5. Self assessment on 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 the Company's financial reports; senior management's violating behaviours and behaviours harming shareholders' interest, as well as the Company's internal control system.

(2) Self-evaluation of internal control**(1) General circumstances of internal control evaluation**

The Company's internal control evaluation work is led by the Audit Committee of the Board, and the Department of Audit and Legal Affairs is responsible for formulating the master plan of evaluation and organizing its implementation. The Department of Audit and Legal Affairs selected 23 staff specializing in businesses to form internal control evaluation team, and conduct a comprehensive evaluation of the design and operation of the Company internal control centering around factors, such as internal environment, risks assessment, control activities, information and communication and internal supervision. In addition, standard guidance and on-site reexamination was conducted over the internal control evaluation of the subsidiaries conscientiously.

In the process of evaluation, the evaluation team reported the progress of the evaluation work to the Audit Committee in a timely manner, and the Audit Committee discussed the methods, standards, procedures and initial results of the evaluation. The internal control evaluation report prepared by the evaluation team was submitted to the Board of Directors after the consideration and approval of the Working Meeting of The General Manager and the meeting of the Audit Committee. The Company's internal control evaluation report shall be disclosed after the consideration and approval of the Board meeting.

The Company engaged Shu Lun Pan Certified Public Accountants LLP to conduct independent auditing of the effectiveness of its internal control.

(2) Basis of internal control evaluation

In accordance with requirements of the laws and regulations, including the "Basic Standards for Corporate Internal Control" and "The Guidance on Corporate Internal Control Evaluation", the internal control evaluation was conducted over the effectiveness of the design and operation of the internal control of the Company as of 31 December 2011 in line with the Company's management system and evaluation method of internal control and on the basis of daily supervision and special supervision of the internal control.

(3) The scope of internal control evaluation

The scope of this internal control evaluation includes every department and office as well as subsidiaries. The businesses and matters that are included in the evaluation include: organizational structure, development strategy, human resources, social responsibilities, corporate culture, risk assessment, information communication, internal supervision, procurement management, inventory management, production management, new product development, quality management, sales management, investment management, fixed assets management, cost and fees, preparation of financial reports, fundraising management, budgeting management and currency and capital management, etc.

The internal control of the above businesses and matters covers major aspects of the Company's current operation and management, and there are no material omission.

(4) Procedures and methods of internal control evaluation

In strict compliance with the requirements of the "Basic Standards for Corporate Internal Control" and "The Guidance on Corporate Internal Control Evaluation", the Company formulates scientific and reasonable evaluation work scheme, determines the inspection and evaluation methods and strictly implements them after analyzing the areas with high risks and important business matters in the internal control evaluation work.

The procedures of the Company's internal control mainly include: formulating the evaluation scheme, forming evaluation team, implementing on-site test, recognising control deficiencies, summarizing evaluation results and preparing and reporting evaluation reports and other processes.

A combination of methods and means, such as individual interview, questionnaire survey, sample inspection and on-site examination and inspection are used in the evaluation, to fully collect the effective evidences in the design and operation of the Company's internal control, fill in the evaluation workpapers truthfully and research and analyze internal control deficiencies. The evaluation methods used in the Company's internal control evaluation are proper, and the evaluation evidences obtained are sufficient.

(V) Internal control evaluation report 2011 of the Company *(cont'd)***5. Self assessment on the effectiveness of the implementation of the Company's internal control system during the year** *(cont'd)***(2) Self-evaluation of internal control** *(cont'd)***(5) Internal control deficiencies and their recognition**

In accordance with the recognition requirements of material, major and general deficiencies in the "Basic Standards for Corporate Internal Control" and "The Guidance on Corporate Internal Control Evaluation" and based on its actual conditions, the Company researched and determined specific recognition standards for internal control deficiencies.

The internal control deficiencies of the Company include financial reporting related and non-financial reporting related internal control deficiencies.

- 1) Recognition standards of financial reporting related internal control deficiencies are categorized by qualitative and quantitative standards to determine material, major or general deficiencies.

Qualitative standards :

Material deficiencies: Separate deficiency or together with other deficiencies lead to the failure to avoid, identify or correct the material misstatement in the financial reporting on a timely basis. In case of the occurrence of the following situations, material deficiencies are recognised:

- A. Ineffective control environment;
- B. The misconduct committed by directors, supervisors and members of senior management;
- C. The external audit identifies material misstatement in the current financial report which has not been identified by the Company during its operation;
- D. Material deficiencies identified and reported to the management have not been rectified after a reasonable period of time;
- E. The supervision of the Company's Audit Committee and Department of Audit and Legal Affairs over the internal control is proved to be ineffective;
- F. Other deficiencies which may affect the correct judgment of the statement users.

Major deficiencies: Separate deficiency or together with other deficiencies lead to the failure to avoid, identify or correct the misstatement in the financial reporting on a timely basis, which does not reach or exceed the level of importance but is still worth the attention of the management.

General deficiencies: Other internal control deficiencies that do not constitute material or major deficiencies.

Quantitative standards

Material deficiencies: potential misstatement of operating income: misstatement $\geq 0.5\%$ of the total operating income; potential misstatement of total profit: misstatement $\geq 5\%$ of the total profit; potential misstatement of total assets: misstatement $\geq 0.5\%$ of the total assets; potential misstatement of equity: misstatement $\geq 0.5\%$ of the total equity.

Major deficiencies: 0.2% of the total operating income \leq misstatement $< 0.5\%$ of the total operating income; 2% of the total profit \leq misstatement $< 5\%$ of the total profit; 0.2% of the total assets \leq misstatement $< 0.5\%$ of the total assets; 0.2% of the total equity \leq misstatement $< 0.5\%$ of the total equity.

General deficiencies: misstatement $< 0.2\%$ of the total operating income; misstatement $< 2\%$ of the total profit; misstatement $< 0.2\%$ of the total assets; misstatement $< 0.2\%$ of the total equity.

(V) Internal control evaluation report 2011 of the Company *(cont'd)***5. Self assessment on the effectiveness of the implementation of the Company's internal control system during the year** *(cont'd)***(2) Self-evaluation of internal control** *(cont'd)***(5) Internal control deficiencies and their recognition** *(cont'd)***2) Recognition standards for non-financial reporting related internal control deficiencies**

The Company categorizes and determines material deficiencies, major deficiencies or general deficiencies according to qualitative standards and quantitative standards respectively. In case of the occurrence of the following situations, material deficiencies are recognised. Other situations are recognised as major deficiencies or general deficiencies by its effect respectively.

- A. Violation of the State's laws, regulations or regulatory documents;
- B. Unscientific material decision-making process;
- C. Lack of systems are likely to result in systemic failures;
- D. Material or major deficiencies are not rectified;
- E. Other situations that materially affect the Company.

Quantitative standards

Recognition of material deficiency:

Direct property losses amount: more than RMB10.00 million;

Material adverse effects: relatively materially affect the Company and disclose by way of announcement.

Recognition of major deficiency:

Direct property losses amount of between RMB1.00 million and RMB10.00 million (inclusive) or the imposition of punishment by national government authority which does not adversely affect the Company

Recognition of general deficiency:

Direct property losses amount of less than RMB1.00 million (inclusive) or the imposition of punishment by government authority at or below provincial level which does not adversely affect the Company

Based on the above recognition criteria, neither material nor major deficiencies was identified during the reporting period in the process of this internal control evaluation.

(6) Conclusions on the effectiveness of internal control

The Company has established a relatively complete management system of internal control, which is reasonable, complete, effective and meets the provisions and requirements of the relevant laws and regulations, the actual conditions of the Company as well as the current development needs of the Company. Every management system of internal control was effectively implemented. As of 31 December 2011, the design and operation of the Company's internal control was proved to be effective.

From the benchmark date of the internal control evaluation report to the date of issuing the internal control evaluation report, there were no significant changes in internal control which might impose any substantial impacts on the evaluation results.

The internal control should be compatible with the scale of operation, business scope, competition situations and levels of risks of the Company, and be adjusted timely with the changes in the circumstances. The Company will continue to improve building up the system of internal control, perform on-going improvements on the internal control evaluation, make full use of the role of the internal control evaluation work mechanism to adapt to the changes in internal and external environment and the needs of corporate development and ensure the design and operation of the Company's internal control is effective.

This report was considered and approved at the fourth meeting of the seventh Board of Directors on 15 March 2012.

**Board of Directors of
Beiren Printing Machinery Holdings Limited**
15 March 2012

(VI) Auditor's Assessment and Evaluation Opinion on the Self Assessment Report on the Internal Control of the Company

Auditors' Report on Internal Control Over Financial Reporting

Xinkuaishibaozi[2012]No.210093

To all Shareholders of Beiren Printing Machinery Holdings Limited:

We have audited the effectiveness of internal control over financial reporting of Beiren Printing Machinery Holdings Limited (hereinafter referred to as the "Company") as of December 31, 2011 based on criteria established in Audit Guidelines for Enterprise Internal Control and related standards established in the Professional Standards for Certified Public Accountants of China.

1. The Company's responsibilities

According to Basic Standards for Enterprise Internal Control, Implementation Guidelines for Enterprise Internal Control and Guidelines for Evaluation and Assessment on Effectiveness of Enterprise Internal Control, the Company's board of directors is responsible for maintaining effective internal control over financial reporting and assessment of the effectiveness of internal control over financial reporting.

2. Auditor's Responsibilities

Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting and to disclose any material weaknesses of internal control over non-financial reporting matters we noticed based on our audits.

3. Inherent Limitations of Internal Control

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

4. Opinion

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on Basic Standards for Enterprise Internal Control and related rules.

BDO China Shu Lun Pan Certified Public Accountants LLP

Certified Public Accountant of China:jiang Gguicheng
Certified Public Accountant of China:Fan Gehui

Shanghai, China March 15, 2012

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

Report on social responsibility 2011

1. Overview of social responsibility

As the only “A+H” company in the printing machinery industry, the Company 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 2011, 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, and did not cease operation and cut any manpower. In the meantime, we organized different caring activities to listen to the thoughts of 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”.

2. Report of performance of social responsibility

During the reporting period, the Company has strictly complied with the requirements of the Company Law, the Securities Law, the Listing Rules and other laws, rules and regulations, and has continuously perfected its governance structure as a legal person to regulate the operation of the Company and enhanced its internal control system, which became effective on 1 July 2009 officially. At the end of 2011, the Company carried out real-time control and inspection of 111 significant risk points and perfected and rectified issues discovered in a timely manner. The Company has established a corporate governance system that is founded on the Articles of Association and structured on the Rules of Procedure for the General Meeting, Rules of Procedure for the Board of Directors, Rules of Procedure for the Supervisory Committee and Code of Practice for General Managers, and a decision-making, supervisory and operative system that takes the general meetings, Board of Directors, supervisory committee and the management as the principal bodies. The Company has convened and held its general meetings in strict compliance with the requirements of the Company Law, the Rules for General Meetings of Listing Companies, the Listing Rules, the Articles of Association, the Rules of Procedure for the General Meeting, on which lawyers were invited to witness and the minutes of the meetings were duly recorded, in order to ensure the full exercise of the rights of all shareholders.

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

(VII) Report on Performance of Social Responsibility by the Company (cont'd)**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 2011, 20 employees attaining technical qualifications were rewarded, including 4 senior technicians, 14 technicians and 2 senior workers and a total award amounting to RMB23,000. The formulation and realisation of the system has significantly increased the passion for learning and training of the front-line employees. During 2011, we prepared working handbooks for staff in different departments. Working handbooks for six positions has been prepared so far, including lathe operators, benchwork workers, welding workers, grinder operators, mill operators and workers in processing center. Aiming to provide support to front line staff, the handbooks offer solutions to almost all issues that our staff may encounter during operation, which can stabilize our product quality and improve the technique of our staff and comprehensive ability. We will continue to prepare working handbooks for other 30 positions in the future.
- (4) The Company continued the “Subsidised education in Beijing” program in response to the government’s promotion in 2011. The Company has released subsidies of RMB59,000 to 37 employees whose children has entered universities, showing its support to the staff in respect of the education of their children by helping them solve their actual problem.
- (5) The Company has well performed the works related to staff welfare and mutual aid insurance. In 2011, we developed a total of 1,217 new members for China Employee Insurance Benefit Association, and 2,057 staff were participants of the mutual aid insurance programme, with participation rate of in-service staff (permanent staff) of 89.7%, which created a record in mutual aid insurances purchased by the Group. We contributed hospitalization subsidies insurance premium and membership fees of RMB135,590, of which RMB98,120 were subsidized by membership fees of all levels of trade unions. There are currently 409 persons participating in the female staff mutual aid insurance, with the insurance coverage amounting to RMB24,264; 496 persons participating in the major illness insurance, with the insurance coverage amounting to RMB49,410; 402 persons participating in the hospitalisation insurance, with the insurance coverage amounting to RMB20,150; and 230 persons participating in the staff accident and casualty insurance, with the insurance coverage amounting to RMB12,000. In 2011, we prepared publicity materials containing the knowledge of staff well welfare and insurance as well as the related insurances coverage on a timely basis, and actively performed well in the compensation work. As at the end of 2011, there were a total of 52 insurance claims and the compensation amount approximated RMB26,470; in the meantime, we have provided compensation for 24 staff who claimed insurance in 2010 with the compensation amount approximating RMB30,000.
- (6) The Company actively performed well in the works in relation to safeguarding the interests of migrant workers. There are currently four enterprises within the Group which have hired migrant workers with a total of over 220 persons. Majority of them (approximately 200 persons) work with Beiying Casting. Most of them have worked with the enterprises for a relatively long time, and are the key production staff at various production positions. Except for service dispatch workers who signed labour contracts with employment agency, the others signed labour contracts with the enterprises, and the enterprises paid insurances for them as required.

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

- (6) There were no default in the payment of salary for migrant workers in the Group, all of which have been full paid on a timely basis through monthly periodic transfers to the individual bank accounts. There were no discrimination against migrant workers in the Group, and they enjoy the same position as do the permanent staff. Due to the importance of positions held by migrant workers and performance incentive system, some migrant workers earn a much high salary than permanent staff. As for the safe return home of migrant workers, after understanding, we knew that four enterprises had arrangements for home return of their respective migrant workers: ① For those whose hometowns are not located along the busy lines for transportation during the Spring Festival and who can return home without help, advanced holidays were allowed and the ticket fares to and from hometown was borne by the enterprise; ② For the places with higher density of migrant workers, coaches were arranged directly to send them back and bring them back; ③ For those who do not return home (including the family members who come to Beijing), dormitories were arranged or family members rooms were established for their gatherings. In addition, their immediate supervisors were arranged to pay visit to them.
- (7) The Company organised rich and diversified cultural and sports activities to enrich its corporate culture. To celebrate the 90th anniversary of the Communist Party, we held a cultural performance called "Singing for the Communist Party" to express our love towards the Communist Party and our home country by performance. We 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) Stringent control of the quality and price of cooperation parts procurement. The Company implemented categorised management of cooperation parts procurement based on the market pricing system and the features of the product in order to exercise control over the quality and price of procured parts. The Company incessantly enhanced the supplier quality assurance system and the market price comparison system, in order to achieve mutual benefits and mutual development.
- (2) Collection of customer opinion through bilateral visits and communication with major customers, regular customer satisfaction survey and after-sale visit as well as various channel, in order to timely provide quality services to customers and make quick response to the market changes. We adhered to the principle that understanding the real need of customers from the perspective of services and fulfilling their needs from the perspective of sales. We consolidated our existing markets and captured new markets through providing quality services to realize the sustainable development of sale.
- (3) Reinforcement of formulation of the quality enhancement and preventive management system to achieve breakthroughs in product reliability. The quality enhancement procedures were reinforced and the incentive efforts were enhanced. The Company increased the motivation for staff participation in quality enhancement. The research and development of new products was conducted in accordance with the IPD model for the overall research and development strategy and product assessment. The Company organised targeted market research and survey to collect and analyse market feedback on unusual quality issues for the timely implementation of quality enhancements. We formulated supply chain system of product market with sustainable development based on the changes in downstream market.
- (4) Adapting to market demands and building up quality teams. Adhering to be guided by market demands and the individual needs of customers, the Company actively provided customers with an integrated printing solution while providing them with printing equipment, to build up the advantages of the Beiren brand. In 2011, we signed successively contracts in an amount of over RMB10 million with Fuzhou Evening News, Jiangxi Daily, Fujian Daily, Pentium in Yongzhou and Jinluo Group in Linyin. Also we provided Jiangxi Printing Group and Yiwu Boya with 5-colour printing equipment. Our wholeheartedly services not only deeply impressed our customers, but also won Beiren products wide recognition. Building up a quality marketing team will be our eternal goal.

(VIII) Report on Performance of Social Responsibility by the Company *(cont'd)***5. Public welfare and care works**

The "Donation from members of the Communist Party" has continued in memory of the 90th anniversary of the establishment of the Communist Party in the PRC in response to the appeal of the corporate party members. There were 990 donators including members of Communist Party, supporters and the public who made donation of RMB22,092 in total.

Before 1 July, under the lead of senior members of the Company, we visited the outstanding party members, old party members and party members with difficulties to show our care and love.

Before the Chinese New Year, Beiren donated approximately RMB139,965 for aids in real and in cash for more than 200 model workers, retired officers, elder leaders and staff in economic difficulties.

Beiren strives to incessantly effort for the operation objectives established in 2011, and at the same time making it better to undertake more social responsibilities.

Beiren Printing Machinery Holdings Limited

The Board of Directors

15 March 2012

(VIII) 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.

1. No accounting error was rectified during the reporting period.
2. No information was supplemented as a result of omission during reporting period.
3. No result estimation was corrected during the reporting period.

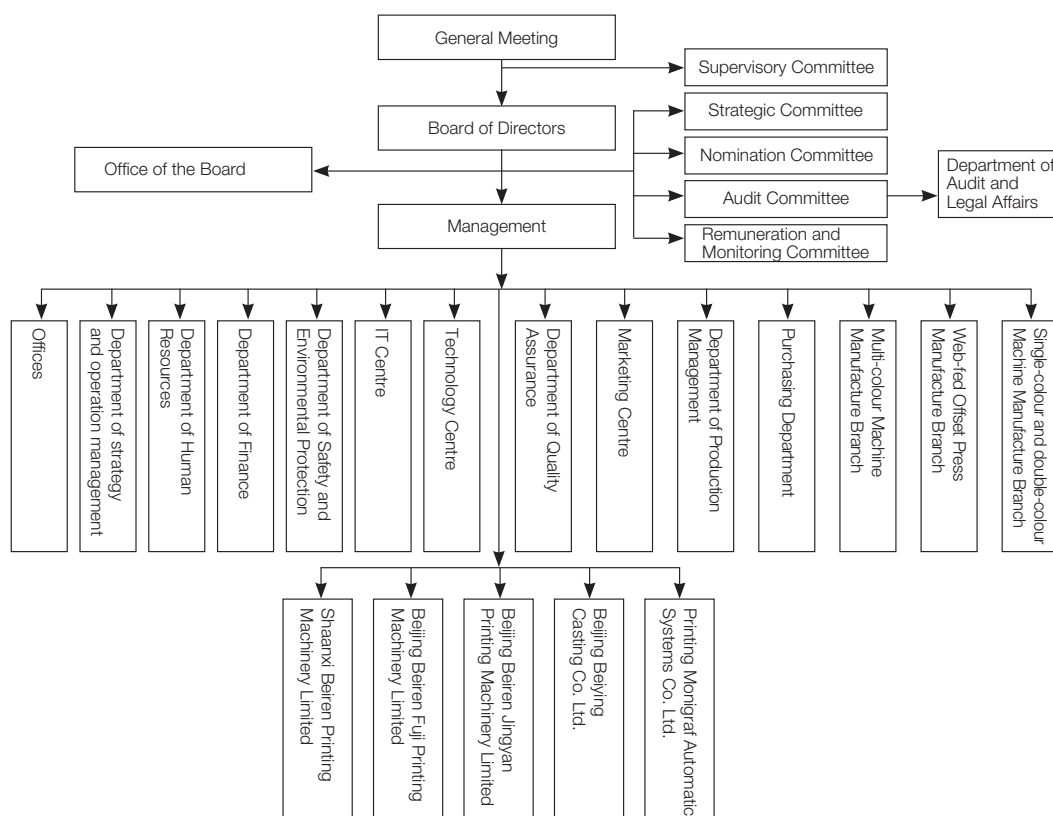
(IX) Corporate Governance Report

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

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

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

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



(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 3 executive directors, 4 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

Zhang Peiwu	Chairman and general manager
Zhao Guorong	Former Chairman
Duan Yuangang	Former executive director and chief accountant

Non-executive director

Teng Mingzhi	Non-executive director
Li Shenggao	Non-executive director
Wei Li	Non-executive director
Wang Bei	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:

- (1) Due to job changes, Mr. Zhou Guorong resigned as the Director and Chairman of the Company, which became effective on 12 January 2012. Accordingly, Mr. Zhang Peiwu was elected as Chairman, who also took the position of General Manager. Upon the Company identifies any appropriate candidates, it will inform shareholders as soon as possible.
- (2) Due to job changes, Mr. Duan Yuangang and Ms. Wang Bei resigned as the Directors. The Company will fill the vacancy on the 2011 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
Zhang Peiwu	No	9	7	2	0	0	No
Teng Mingzhi	No	4	4	0	0	0	No
Li Shenggao	No	4	4	0	0	0	No
Wei Li	No	4	3	0	1	0	No
Xu Wencai	Yes	9	5	2	2	0	No
Wang Hui	Yes	9	7	2	0	0	No
Xie Bingguang	Yes	9	7	2	0	0	No
Wang Deyu	Yes	9	6	2	1	0	No
Zhou Guorong	No	9	7	2	0	0	No
Duan Yuangang	No	7	5	2	0	0	No
Wang Bei	No	2	2	0	0	0	No

Number of board meetings convened during the year	9
Among which: number of meetings convened on-site	7
Number of meetings convened by communication equipment	2
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 nonexecutive 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 18 May 2011 to the conclusion of 2013 Annual General Meeting.

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 three meetings. Details of which are as follows:

- (1) On 17 March 2011, the Company's strategy for "the Twelfth Five-year Plan" was considered and passed.
- (2) On 28 April 2011, 1) the proposal of the strategy for "the Twelfth Five-year Plan" of Shaanxi Beiren Printing Machinery Company Limited, a subsidiary of the Company, was considered and passed; and 2) the proposal of continuous proportionate provision of loan guarantee to Beijing Beiren Fuji Printing Machinery Company Limited, a subsidiary of the Company was considered and passed.
- (3) The strategy of Beijing Beiren Fuji Printing Machinery Company Limited, a subsidiary of the Company for "the Twelfth Five-year Plan" was considered and passed.

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

Name	attendance Description	Required Actual in 2011	attendance
Zhang Peiwu (Chairman of the Board)	Chairman of the Committee	3	3
Xu Wencai (Independent non-executive director)	Member of the Committee	3	3
Teng Mingzhi (Non-executive director)	Member of the Committee	1	1
Zhao Guorong (Former chairman of the Board)	Former Chairman of the Committee	3	3
Duan Yuangang (Former chairman)	Former Member of the Committee	1	1

(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, six meetings of the Audit Committee of the Board were convened, details of which are as follows:

- (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 2011, the accounting firm 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 preparation 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 approved and was submitted to the Board of Directors for consideration.
 - ④ The self-evaluation report on the internal control of the Company was considered and approved.
 - ⑤ The proposal of the impairment provision of the Company for 2010 was considered and approved.
 - ⑥ The proposal of writing-off the bad debts of the Company was considered and approved.
 - ⑦ The plan of auditing work for 2011 was considered and approved. Resolutions ① to ⑥ above were submitted to the Board of Directors for consideration.
- (4) On 20 April 2011, the Audit Committee, the Audit Committee considered and approved the 2011 First Quarterly Report of the Company; considered and approved the resolution of the appointment of Shu Lun Pan Certified Public Accountants LLP as the Company's 2011 internal control auditor, which was submitted to the Board of Directors for consideration.
- (5) On 20 July 2011, the Audit Committee reviewed and approved the 2011 Interim Report of the Company. The Audit Committee of the Board reviewed the financial statements of the 2011 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 2011 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 2011 Interim Report and the report summary to the Board of Directors for consideration. The Audit Committee also reviewed and approved the resolutions on provision for impairment of the Company for the half year of 2011 and on writing-off the bad debts and submitted them to the Board of Directors for consideration.
- (6) On 25 October 2011, the Audit Committee considered and approved the 2011 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 12 January 2012, the management of the Company reported the operation of the Company for 2011 to the Audit Committee and the independent directors of the Company.
- (2) On 6 March 2012, the auditing institution of financial report and auditing institution of internal control report communicated with the Audit Committee and the independent directors of the Company for the annual auditing work internal control auditing for 2011 respectively. 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 of financial report and auditor of internal control report on the preparation of the 2011 Annual Report and internal control report respectively.
- (3) On 6 March 2012, the Audit Committee, the independent directors of the Company reviewed the audit report issued by ShineWing Certified Public Accountant and the audit report issued by BDO China Shu Lun Pan Certified Public Accounts LLP. After the review, the Audit Committee considered that: 1) The Audit Committee of the Board of Directors reviewed the internal control audit report issued by BDO China Shu Lun Pan Certified Public Accounts LLP. After the review, the Audit Committee considered that: the 2011 internal control audit report issued by BDO China Shu Lun Pan Certified Public Accounts LLP was true and reliable. The report objectively and fairly reflected the internal control of the Company as at 31 December 2011 as well as the result of internal control, which was complied with related regulations and policies. 2) The Audit Committee of the Board of Directors reviewed the audit report issued by ShineWing Certified Public Accountant. After the review, the Audit Committee considered that: the 2011 financial report issued by ShineWing Certified Public Accountant was true and reliable. The report fairly and accurately reflected the financial position of the Company as at 31 December 2011 as well as the operation result of 2011. The preparation of financial report was complied with related regulations and policies. 3) Given the work taken by and performance of ShineWing Certified Public Accountant in 2011, the Audit Committee agreed to pay it the audit fee for 2011 totaling RMB1,080,000. 4) Given the work taken by and performance of BDO China Shu Lun Pan Certified Public Accounts LLP in 2011, the Audit Committee agreed to pay it the audit fee for 2011 totaling RMB300,000. 5) Given the performance of ShineWing Certified Public Accountant in providing service in 2011 audit report, the Audit Committee decided to assign ShineWing Certified Public Accountant as the financial auditing institution in 2012. 6) Given the performance of BDO China Shu Lun Pan Certified Public Accounts LLP in providing service for the Company in 2011, the Audit Committee decided to assign BDO China Shu Lun Pan Certified Public Accounts LLP as the internal control auditing institution in 2012. 7) The proposal of the impairment provision of the Company for 2011 was considered and passed. 8) No profit distribution plan for the year 2011 of the Company was considered and passed. 9) The self assessment report on the internal control of the Company for 2011 was considered and passed. 10) The proposal of a connected transaction concerning the entrustment of casting parts processing by Beijing Beiyong Casting Company Limited, an associate of the Company was considered and passed. 11) The proposal of a connected transaction concerning a housing lease agreement with Beijing Beiyong Casting Company Limited, an associate of the Company was considered and passed. 12) The proposal of a connected transaction of leasing a part of factory and office to Beijing Jingcheng Nagano Construction Machinery Company Limited was considered and passed. 13) The proposal of a connected transaction concerning the sales of certain part of products by Beiren Group Corporation, the substantial shareholder, as an agent was considered and passed. 14) The plan of auditing work for 2012 was considered and passed. 15) The plan of internal control work for 2012 was considered and passed. Resolutions (1) to (15) 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 2011	Actual attendance
Wang Deyu (Independent non-executive director)	Chairman of the Committee	6	6
Xie Bingguang (Independent non-executive director)	Member of the Committee	6	6
Li Shenggao (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)***Work on 2010 Annual Report and communication with accounting firm** *(cont'd)***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:

- (1) On 17 March 2011, the Performance Assessment Contract for Senior Management for 2011 was considered and passed. The assessment results of the Performance Assessment Contract for Senior Management for 2010 was considered and passed. The proposal for entering into written agreements with all directors for next session was considered and submitted to the Board for consideration.
- (2) On 25 July 2011, the amendment of the Performance Assessment Contract for Senior Management for the first half of 2011 was considered and passed.

In 2011, 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 2011	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 (Former Chairman of the Board)	Member of the Committee	2	2

Performance of duties by Nomination Committee under the Board of Directors

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

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

- (1) On 24 February 2011, the proposal for succession planning of the board and supervisory committee of Shaanxi Beiren Printing Machinery Company Limited was considered and the Company made recommendation for the candidates of directors, supervisors and secretary to the board.
- (2) On 9 March 2011, there was change of session of the Board during the reporting period and Nomination Committee of the Board agreed to recommend the nominated Directors to the Board and on the General Meeting for approval after carrying out a background investigation on such directors.
- (3) On 12 October 2011, Nomination Committee of the Board considered and passed the proposals of appointment of Directors and Chief Accountant and agreed to recommend the candidates to the Board carrying out a background investigation.
- (4) On 12 December 2012, as Mr. Duan Yuangang tendered his resignation as a director of Shaanxi Beiren Printing Machinery Company Limited, a subsidiary of the Company, Nomination Committee agreed and recommended to appoint Ms. Jiang Chi as the director of such company and submitted the proposal to the Board for approval.

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 2011	Actual attendance
Xu Wencai (Independent non-executive director)	Chairman of the Committee	4	4
Wang Hui (Independent non-executive director)	Member of the Committee	4	4
Wei Li (Independent director)	Member of the Committee	2	2

(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 2010 Annual General Meeting convened on 18 May 2011, the Company re-appointed ShineWing Certified Public Accountants as the domestic and overseas auditors of the Company for 2011 financial report and appointed BDO China Shu Lun Pan Certified Public Accounts LLP as accountant for internal control report and authorised the Board to determine the remunerations of these two auditing firms.

During the reporting period, ShineWing Certified Public Accountants reviewed the attached financial report prepared under the PRC accounting standards and BDO China Shu Lun Pan Certified Public Accounts LLP reviewed that internal control report of the Company.

During the reporting period, the audit fee payable to ShineWing Certified Public Accountants amounted to RMB1,080,000. The audit fee includes all fees related to audit services provided to the Company by the auditors, including audit fee and review fee. The audit fee payable to BDO China Shu Lun Pan Certified Public Accounts LLP amounted to RMB300,000. The audit fee includes the review fee paid to auditor for reviewing the effectiveness of the design and implementation of the internal control contained in the Company's financial report.

As at 31 December 2011, ShineWing Certified Public Accountants has provided audit services for the Company for 5 years, and BDO China Shu Lun Pan Certified Public Accounts LLP has provided audit services for the Company for 1 year.

A proposal will put forward on whether to re-appoint ShineWing Certified Public Accountants and BDO China Shu Lun Pan Certified Accounts LLP as the Company's auditors for the year 2012 at the 2011 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 2010 Annual General Meeting was held at the Conference Room of the Company, Room 6206, on 18 May 2011. The ordinary resolutions considered and approved were: (1) To consider and approve the 2010 Annual Report of the Company; (2) To consider and approve the 2010 Work Report of the Board of Directors of the Company; (3) To consider and approve the 2010 Work Report of the Supervisory Committee of the Company; (4) To consider and approve the audited report of the domestic auditor of the Company for the year 2010; (5) To consider and approve the audited report of the overseas auditors of the Company for the year 2010; (6) To consider and approve the resolution of the Company not to distribute any profit for the year 2010; (7) To consider and approve the re-appointment of SHINEWING Certified Public Accountants as the domestic and overseas auditors of the Company respectively for the year 2011, and to authorise the Board of Directors to enter into employment contracts with them and determine their remunerations; (8) This proposal on the election of the new session of the Board of Directors of the Company was considered and approved by the way of accumulated poll; (9) To consider and approve the remuneration of the directors and entering into of their written contracts and authorize the chairman to sign such written contracts. The tenure of office of the Seventh Board of Directors is 3 years; (10) This proposal on the election of the new session of the Supervisory Committee of the Company was considered and approved by the way of accumulated poll. The tenure of office of the Seventh Supervisory Committee is 3 years; (11) To consider and approve the remuneration of the supervisors and entering into of their written contracts and authorize the chairman to sign such written contracts; (12) To consider and approve the appointment of Shu Lun Pan Certified Public Accountants LLP as the Company's 2011 internal control auditor, and to authorise the Board of Directors to enter into employment contracts with them and determine its remunerations. Special Resolutions: (13) To consider and approve the amendments to the Procedural Rules of the Meetings of the Board; (14) To consider and approve the amendments to the Procedural Rules of the Meetings of the Supervisory Committee; (15) To consider and approve the amendments to the Articles of Association. The announcement of resolutions approved at this meeting was published on Shanghai Securities News on 19 May 2011.

(II) Extraordinary General Meeting

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



Group photo of Directors, Supervisors and Senior Management of the Company after 2010 Annual General Meeting



Mr. Zhang Peiwu, Chairman of the Company

(I) Review

In 2011, the world economy was affected by both the global economic crisis and the European debt crisis, and the recovery of the economies in developed countries in the Europe and the United States remained weak. Through the implementation of a proactive fiscal policy and a prudent monetary policy, China has dealt with relative appropriately “inflation control, growth securing & structural adjustment”, with the PRC economy showing a good momentum of relatively high growth, the softening of inflation rate and progress in structural adjustment. In 2011, although the printing industry was affected by factors, such as the increase in the raw materials prices, electricity shortage, credit tightening, slow down in trading and the rise in labour cost, the package printing was still the largest and fastest-growing market; Due to the fast development in digital printing and digital transmission technologies, the traditional books and periodicals printing was dragged down with the intensifying industry competition.

During the reporting period, confronted with the critical situations domestically and internationally, the Company further deepened reform, insist on technological innovation, accelerate the adjustment of product mix, strengthened the building of marketing system, enhanced product competitive strengthened and market planning capabilities and established the mechanisms and systems that cater for market demand and the enterprise development; we further deepened the transformation, determined to innovation in management, strengthened finance budgeting management, enhanced the building of quality control system, improved the quality of product services and the enterprise operational efficiency, ensuring the production and operating activities of the enterprise carried on in an orderly manner. During the reporting period, the operating income prepared in accordance with the PRC Accounting Standards was RMB803,873,900. Net profit attributed to the shareholders of listed company was RMB11,382,900.

(I) Review (cont'd)

1. **Adherence to technology innovation, accelerated adjustment of product mix and continued enhancement of product competitiveness**

During the reporting period, in line with two initiatives in relation to the printing industry during the “Twelfth Five-year Plan” period, the Company made some progress through technology innovation and the adjustment of product mix. The industrialization projects of both digital single paper folio multi-colour offset machine and broad satellite flexo high-speed printing machine were included in the projects supported by the national special funds in relation to 10 projects of two initiatives for strategic new industries; the first green flexo book printing machine was set up in Shanghai; we completed the design of BEIRENB598 book printing machine with a cutting specification of 598mm and achieved sales.

2. **Deepening the transformation, establishing the mechanism and system that are suitable to the market needs and corporate development, enhancing basic management and the driving effect of innovation and improving the operational**

During the reporting period, the Company deepened its transformation, defined its direction of development and fulfilled its target responsibility. We set up project teams for process management, quality management, cost management and ERP system application. Through further improving our organizational structure and introducing new means of management, we streamlined and restructured our processes; through improving systems of internal control and risk prevention, we enhanced the level of corporate management, mitigated the risks associated with the Company’s operations, and completed the compilation of the Company’s internal control evaluation manual, the amendment to the evaluation criteria and the annual internal control self-evaluation.

3. **Strengthening building of the marketing system and improving the market planning capability**

During the reporting period, following the market changes, the Company further strengthened its channel management, conducted the agent evaluation, implemented dynamic optimisation management, established an effective system of market analysis and operations, and entered a new era of market-oriented product improvement and technological advancement as well as market-oriented resources allocation. We participated in The 2nd International Printing Technology Exhibition of China (Guangdong), and planned marketing campaigns, including the on-spot product exhibition of BEIERN300 in Taiyuan, receiving good response.



75A newspaper printing machine was awarded China Printing Industry Top 100 Innovation Award by Printing Technology Association of China.



Fujian Daily purchased 75A printing machine.



B624 book printing machine was awarded China Printing Industry Top 100 Innovation Award by Printing Technology Association of China.



Turning on ceremony of our first flexo printing machine was held in Shanghai.

(I) Review *(cont'd)***4. Building up supply chain, conducting and developing procurement.**

During the reporting period, the Company engaged itself in transforming values, acting according to the patterns of market economy and raising market-based processing fees to encourage suppliers to deliver quality goods on time; we formulated appraisal and examination scheme for suppliers, realized dynamic management of suppliers and commenced the "dual network expansion" work for major suppliers and important supplies, achieving good results.

5. Strengthening finance, budget and capital management, improve capital utilisation efficiency and ensuring the production and operations of the enterprise were conducted in an orderly manner.

During the reporting period, the Company focused on the sources of capital, strengthened finance budgeting management, and amended Basic Principles for External Payment to Procurement of the Company; we enhanced the capital management, made great efforts to reduce the working capital used in work in progress and accounts receivables, increased the capital utilisation efficiency, ensuring the production and operations of the enterprise were conducted in an orderly manner.

6. Highlighting and strengthening quality management work, exercising stringent quality control and implementing quality responsibilities

During the reporting period, the Company organised and completed an internal audit, management review and rectification of its quality system, and successfully approved the ISO9001 quality management system certification; we improved the products quality control points of the Company, raised product quality and reduced quality loss by standardizing the regulations of quality inspection and formulating appraisal rules on the management of suppliers for external procurement.



Organized an IT week and accelerated product restructuring



The Company set up "Cheng Rui Jin Innovation Studio".

(I) Review *(cont'd)*

7. Pushing forward the remuneration system reform, optimising the Company's human resources structure and establishing reasonable incentive and restriction mechanism

During the reporting period, the Company formulated and implemented the adjustment scheme for the performance-based salary standards of positions, further standardizing the income distribution for the staff and gradually realizing the match between the value of talents and their income; we made our examination system more focused, scientific and effective by the on-going innovation and improving incentive mechanism, to stimulate the enthusiasm and creativity of the staff of different positions; we gave further importance to staff quality training, and increased the investment in staff training.

(II) Outlook

In 2012, due to the fast development in the emerging mass media, including digital printing and digital transmission technologies and the requirements for green, environmental protection and energy conservation formed in the national "Twelfth Five-year Plan" in relation the printing industry, which enhances the macro control, industry consolidation and the adjustment in industrial structure, it will facilitate the acceleration in the transformation and upgrading of the printing market towards green printing, digital printing and printing digitization process. From the market breakdowns, it can be seen that the development in the books and periodicals printing market is relatively stable and commercial printing and package printing will maintain a double-digit growth, and green and environmental friendly printing will become mainstream.

In 2012, as there are still lots of uncertainties for the world economy, the trend in the strategic adjustment and transformation of the printing industry in China will keep on and on. Due to factors such as the rise in the prices of energy and raw materials, labour cost increase and the intense competition of printing price, the competition in the printing industry will be more intense. Confronted with the fierce competition domestically and internationally and complex and changing economic environment, the Company will focus on deepening the reform, center around speeding up the adjustment, gain traction from technological innovation and targeted at development and improvement. We will actively adjust the product mix, transform the ways of development, adjust the industrial layout, realize the expansion of scale through market, the introduction of new products through research and development and the increase in efficiency from management, and enhance the printing machines by specialization to enhance the overall enterprise competitiveness.



The Company held a first-class corporate consultation forum in respect of national safety manufacturing standardization.



The Company was named as Advanced Unit by National Printing Machine Technical Committee of Standardization

(II) Outlook *(cont'd)***Key works of the Company in 2012:**

1. **To maintain on technology innovation, step up efforts in the adjustment of product mix and enhance product competitiveness**
Guided by the market demand, we will conduct various technological communication and cooperation at home and abroad, speed up the research and development of new products, improve the level of technique and technology, realize the driving of the market with advanced technology, leading technological development by market and continue to enhance the product competitiveness.
2. **To improve the marketing, accelerating market expansion and ensure the fulfilling of sales target**
Centered around the market and adhering to the idea of "creating value for customers", we will actively improve our marketing system and service system, enhance our marketing capabilities, service abilities and the rigorousness and scientificness of our sales plans, try to push forward the added value in our service, maintain our corporate brand and image and facilitate the link between production and sales as well as fast recouping capital; We will strengthen developing market for upgraded products, and make the upgraded products become the Company's major products; we will try to develop international market, expand the marketing to bring a new growth point of profit for the Company.
3. **To strengthen quality management, improve product quality and meet the market demand**
The quality management will be placed at an outstanding and important position. We will strengthen the quality management and control, improve quality management system, implement quality responsibility, press ahead with the work of quality project team and regard the improvement of quality as the lifeline for expanding, maintaining and expanding our market.
4. **To effectively make full use of resources, push forward building up the supply chain and realize the optimised allocation of resources**
We will further effectively make full use of our existing resources, fully integrate our suppliers, optimise the building of supply chains, establish the organizational and operational mode that are suitable to the market competition mechanism, realize the optimised allocation of resources, and ensure the plans are scientific, serious and implementable, to realize the healthy and sustainable development of the enterprise.
5. **To speed up adjustment in our organizations, actively push forward the construction of "three bases" and shorten the production cycle**
We will speed up upgrading our product mix and optimizing the layout of our industrial structure. We will actively push forward the construction of production bases for single and double colour offset presses, multi-color offset presses and web-fed offset press, shorten the production cycle of our products and quicken our response to market demand.
6. **To optimise management mode, exercise stringent management and improve the level of management**
We will continue to drive and implement the process management and internal control appraisal, and achieve coordinated development of all systems by efficiently and reasonably applying information platform to improve work efficiency, enhance the level of management, reduce the operating cost and improve the management efficiency and level of scientific management of the Company.
7. **To strengthen the capital management and try to lower the production and management costs**
We will continue to enhance the enterprise's cost, capital and overall budget management, establish capital management system and try to lower production and management costs, ensure the capital chain of the Company, improve the capital utilisation efficiency and ensure the match among marketing, production and capital plan.

By the order of the Board of Directors
Zhang Peiwu
Chairman

15 March 2012

(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 and sales, maintenance and installation of printing machines, press equipments, packing machines and parts and components for the aforesaid machines; technical consultancy, technical support, technical training for printing equipments and printing skills; management of the export of own enterprises' and member enterprises' selfproduced products and technology; the import of own enterprises and member enterprises production of the required auxiliary materials, instruments and meters, parts and components of machine tools 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"; the rental of office space, machineries and equipments; sales of printing machines.

2. Explanations on the operation of principal businesses

In accordance with the PRC accounting standard, the Company recorded a principal operating income of RMB803,873,900, representing a decrease of 2.13% compared with the previous year during the reporting period. Net profit was RMB13,629,800, representing a decrease of 30% compared with the previous year. Profit per share was RMB0.03.

(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	327,543,008.42	275,915,772.60	15.76	-24.01	-27.05	Increase 3.51 percent
Intrusion printers series	363,587,203.39	282,445,229.50	22.32	21.45	24.54	Decrease 1.93 percent
Form presses series	62,445,299.14	52,090,730.64	16.58	39.39	29.24	Increase 6.55 percent
Total	753,575,510.95	610,451,732.74	18.99	-2.79	-5.41	Increase 2.24 percent

(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	727,443,346.75	-1.52
Overseas	26,132,164.20	-28.48
Total	753,575,510.95	-2.79

(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	77,654,116.08	2,043,959.58
Beijing Beiren Jingyan Printing Machine Limited	Parts for printing presses	Paper -feeding machine	21,050,000.00	21,969,233.89	-2,234,124.46
Shaanxi Beiren Printing Machinery Limited	Manufacture of printing presses	Intaglio presses	115,000,000.00	341,967,314.02	11,912,220.31

(4) Information on major suppliers

Unit: RMB '0,000

Total procurement from the top five suppliers	5,920.11	Percentage accounting for total procurement	9.51%
Total sales from the top five customers	9,842.65	Percentage accounting for total sales	12.54%

(IV) The Company's Future Development Prospects

(1) Operation plan for the new year

In 2012, the Company will focus on building the production base of multi-color presses and accelerate the pace of the product mix; we will steadily press ahead with "three production bases" and build the supply chain; we will continue to adjust our products according to the needs of the market development, to ensure the competitive strength and higher gross profit margin for our products; we will establish the guidelines "centering around market, leading by the marketing, and securing market with quality", deploy advantageous resources to the market development, adopt new ways and measures for market development and paid more attention to marketing; we will establish complete and effective internal control system, fully implement budget management, implement target cost management with cost management at the core, continue to strengthen quality management and actively adopt the advanced management means of ERP to improve the overall management level of the Company. It is expected that the sale revenue will be RMB838,140,000.

(2) Has the Company compiled and disclosed the profit forecast for the new year: NO

(3) The invested budget of technical improvement in 2012 is RMB34,977,400, in which the invested budget of new equipment projects is RMB13,168,000, equipment renewal projects is RMB13,276,400, equipment transformation projects is RMB5,430,000, equipment special projects is RMB80,000, environmental protection project is RMB125,000 and relocation project is RMB2,898,000. The purpose for the above investment in technical improvement projects is to boost productivity and product quality as well as lower the operation cost.

(V) The Company's Investment

1. Trust Investment and Trust Loan

(1) Trust Investment

The Company did not entrust any entities to make investment during the year.

(2) Trust Loan

The Company do not entrust any entities to deal with loan affairs.

2. Use of capital raised

During the reporting period, the Company did not use any capital raised or any capital raised in previous period.

3. Projects financed by non-raised funds

During the period, the Company did not have any projects financed by non-raised funds.

(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

In 2011, total profit of the Company reduced by RMB11,309,700 or 45.29% as compared with the same period last year.

- (1) Operation revenues, operation costs and operation profits were 2.13%, 5.27% and 415.45% lower than the same period of last year respectively.

Of which: Sales of printing machines decreased by 2.57% in 2011 as compared to 2010 and sale profit margin increased by 2.1%, of which the market of single-colour and double-colour offset machine dropped in a magnitude and pace beyond expectation. Sales revenue from offset machine decreased by 24.01%. Sales of pressing machines and form presses machines was thriving with an increased market share and revenue of such machines increased by 21.45% and 39.39% respectively. Gross profit margin of offset machines after excluding extraordinary factors such as agency products was 13.48%, 1.23% higher than that of 2010. While the sales revenue from pressing machines increased by 21.45%, the percentage growth of sale cost was slightly higher than of sales revenue, thus the sales profit margin dropped 1.93% as compared to 2010. The growth of sales revenue from form presses machines increased was higher than that of sales cost, thus sales profit margin increased by 6.55%.

Business tax and surcharge increased by 8.15% over last year. Investment revenue decreased by 99.88% over last year due to the disposal of subsidiaries in the first half while investments decreased by 22.77% over last year with a 85.99% decrease in asset impairment loss.

- (2) Non-operating income increased by 164.83% over last year, mainly attributable to the compensation for the loss of relocation loss of settlement of the fund-raising houses as well as the interruption of production and operation.

2. Analysis of assets, liabilities and equity interests

Total assets value amounted to RMB1,485,441,800 during the reporting period, increased by 1.93% as compared with the beginning of the year, of which accounts receivable decreased by 19.27% and inventory increased by 20.92%. Total liabilities amounted to RMB710,699,200, increased by 2.08% as compared with the beginning of the year, mainly due to increase in short term loans. Total equity interest attributable to shareholders amounted to RMB774,742,700, increased by 1.79% as compared with the beginning of the year.

3. Financial position analysis

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

Liquidity and capital structure

	2011	2010
(1) Assets-liabilities ratio	47.84%	47.77%
(2) Quick ratio	58.14%	59.91%
(3) Liquidity ratio	120.52%	112.85

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 RMB220,000,000, decreased by 57.42% as compared with the beginning of the year. Long-term loan was zero.

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 and fees payable to Stock Exchange and for information disclosure. The change in foreign exchange rates will not have material impact on the results of the Company.

(VIII) Principal Sources of Fund and Its Use

1. Cash flows from operating activities

The Company's cash inflows are mainly derived from revenue of goods selling. Cash outflow was mainly related to production and operating activities. The Company's cash inflow from operating activities for the reporting period amounted to RMB757,249,000, while cash outflow amounted to RMB778,147,200. Net cash flow during the reporting period from operating activities amounted to RMB-20,898,100.

2. Cash flows from investment activities

Cash inflow from investment activities during the reporting period amounted to RMB28,146,300 which was mainly attributable to the disposal of fixed assets. Cash outflow to investment activities amounted to RMB7,460,500, which was mainly used for capital expense on 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 RMB20,685,800.

3. Cash flows from fund-raising activities

Cash inflow from fund-raising activities during the reporting period amounted to RMB227,000,000, which was mainly derived from bank loans. Cash outflow from fundraising activities during the reporting period amounted to RMB180,627,000 was mainly for repayment of bank loans and interest. Net cash flow from fund-raising activities for the reporting period amounted to RMB46,373,000.

Net cash flow from operating activities in 2011 decreased by 420.65% over last year, mainly due to a higher amount of cash payments for goods and services acquired. Net cash flow generated from investment decreased by 89.03% over last year mainly attributable to the cash received from disposing of subsidiaries in last year. Net cash flow generated from fund-raising activities decreased by 123.62% over last year, mainly due to the significant decrease in loan borrowed and repayment of debt as compared to last year.

Net cash flow generated from operating activities was RMB-20,898,100. Net profit for the year was RMB13,629,800 mainly attributable to investment activities and fund-raising activities as well as proceeds from disposing of fixed assets and decrease in repayment of loan interests.

(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 RMB774,742,700; of which, minority interests amounted to RMB18,360,400; and total liabilities amounted to RMB710,699,200. Total assets amounted to RMB1,485,441,800. As at the end of the year, the Company's gearing ratio was 47.84%.

Capital structure by liquidity

Total current liabilities	RMB677,730,100	Accounting for 45.62% of the capital
Total equity interest	RMB774,742,700	Accounting for 52.16% of the capital of
which: minorities interest	RMB18,360,400	Accounting for 1.24% of the capital

(X) Contingent Liability

During reporting period, the Company did not have any significant contingent event.

(XI) Analysis of the Reasons for Major Changes in Overall Financial Position Compared with Last Year

1. Monetary fund increased by 35.97% compared with the beginning of the year, mainly due to the increase in bank borrowings for the year except for the impact of operation activities.
2. Bills receivable decreased by 42.78% compared with the beginning of the year, mainly due to the decrease in bank acceptance bill received by the Company.
3. Accounts receivable decreased by 19.27% compared with the beginning of the year, mainly due to the increase in amount recovered and decrease in sales volume.
4. Prepayment increased by 52.59% compared with the beginning of the year, mainly due to the increase in prepayments of subsidiaries.
5. Inventories increased by 20.92% compared with the beginning of the year, mainly due to the increase in input based on the market changes.
6. Fixed assets decreased by 7.23% compared with the beginning of the year, mainly due to the demolition of the buildings and structures on land for development by way of fund-raising.
7. Short-term loan increased by 57.42% compared with the beginning of the year, mainly due to the increase in the liquidity borrowed.
8. Salary paid to staff decreased by 22.13% as compared with the beginning of the year, mainly due to no increase in the pension benefit for the year.
9. Tax payable decreased by 146.69% compared with the beginning of the year, mainly due to the decrease in outstanding account of tax payable.
10. Interest payable increased by 463.31% compared with the beginning of the year mainly due to the increase in interests of outstanding bank borrowings.
11. Payables for projects increased by 101.76% as compared with the beginning of the year, mainly due to the newly added funds for two projects.
12. Sales cost decreased by 21.32% as compared to the same period of last year, mainly due to the adjustment to the sale structure of products.
13. Management fee decreased by 19.14% as compared to the same period of last year, mainly due to the decrease in depreciation cost, inventory obsolescence, agency fee and trademark fee.
14. Financial cost decreased by 56.01% as compared the same period of last year, mainly due to the decrease in interests resulting from the impact of borrowing amount and borrowing period.
15. Impairment loss on assets decreased by 85.99% compared with the same period of last year, mainly due to decrease in impairment of account receivables and newly added inventory.
16. Investment revenue decreased by 99.88% compared with the same period of last year, mainly due to the disposal of two subsidiaries.
17. Non-operating income increased by 164.83% compared with the same period of last year, mainly attributable to the compensation for the loss of relocation, settlement, interruption of production and operation.

(I) Details of Board Meetings and Resolutions

During the reporting period, a total of 9 board meetings were convened and the details of the meetings and resolutions are as follows:

1. The seventh extraordinary meeting of the Sixth Board of Directors was held on 14 January 2011. A resolution concerning the liquidation of an associated company, Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd. was considered and approved.
2. The eighth extraordinary meeting of the Sixth Board of Directors was held on 15 February 2011. A resolution concerning a provision of entrusted loan to a subsidiary of the Company, Shaanxi Beiren Printing Machinery Company Limited was considered and approved on the meeting. The resolutions were published on Shanghai Securities News on 17 February 2011.
3. The ninth extraordinary meeting of the Sixth Board of Directors was held on 25 February 2011. A resolution concerning the re-election of the board of directors and supervisory committee of a subsidiary of the Company, Shaanxi Beiren Printing Machinery Company Limited and appointment of directors and supervisors by the Company to it was considered and approved on the meeting.
4. The twenty-sixth meeting of the sixth Board of Directors was held on 17 March 2011. (1) The 2010 Annual Report of the Company and its summary were considered and approved; (2) The 2010 Work Report of the Board of Directors of the Company was considered and approved; (3) The 2010 Audited Financial Statements of the Company was considered and approved; (4) The 2010 Internal Control Report of the Company was considered and approved; (5) The 2010 Social Responsibility Report of the Company was considered and approved; (6) The resolution in respect of the payment for the audit fee for 2010 to ShingWing Certified Public Accountants and ShineWing (HK) CPA Limited was considered and approved; (7) The resolution in respect of the re-appointment of ShingWing Certified Public Accountants Ltd and ShineWing (HK) CPA Limited as the domestic and overseas auditors of the Company respectively for the year 2011 was considered and approved; (8) The proposal of the Company not to distribute any profit for the year 2010 was considered and approved; (9) The resolution in respect of the provision for impairment of the Company for the year 2010 was considered and approved; (10) Resolution in respect of the writing off of 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 2011 was considered and approved; (12) The 2011 Technological Reform Plan of the Company was considered and approved; (13) The "Management System for standardizing funds transactions with connected parties" was considered and approved; (14) The resolution in respect of the application to cancel the treatment of delisting risk warning on A shares of the Company was considered and approved; (15) The resolution in respect of the election of the director nominees of the seventh Board of Directors was considered and approved; (16) The resolution of the remuneration of the directors of the Company and the budget of their written contracts to be entered into was considered and approved; (17) The 2010 debriefing report of members of the senior management of the Company was considered and approved; (18) The 2010 performance evaluation on members of the senior management by the Remuneration and Monitoring Committee of the Company was considered and approved; (19) The resolution in respect of the 2011 "Result-based Performance Evaluation of Senior Management Contract" was considered and approved, the Chairman was authorized to enter into such contracts with the senior management; (20) The resolution in respect of the connected transactions between the Company and its affiliate, Beijing Beiyong Casting Co. Ltd. was considered and approved; (21) The resolution in respect of the outsourcing of some of the businesses to Beiren Group Corporation was considered and approved; (22) The resolution of the "Twelfth Five-year Plan" strategies of the Company was considered and approved; (23) The resolution of the convening of the 2010 annual general meeting on 18 May 2011 (Wednesday) was considered and approved; (24) The resolution of the "Proposal of the implementation of internal control standardization" of the Company was considered and approved; (25) 2011 Budget Report of the Company was considered and approved; (26) 2011 Comprehensive Plan of the Company was considered and approved. The resolutions were published on Shanghai Securities News on 18 March 2011.
5. The twenty-seventh meeting of the sixth Board of Directors was held on 28 April 2011. (1) The 2011 First Quarterly Report of the Company was considered and approved; (2) The resolution on the continuing connected transactions to be entered between the Company and Global Industrial Supply Co., Ltd., a subsidiary of the Company's beneficial controller Beijing Jingcheng Machinery Electric Holding Co., Ltd., was considered and approved; (3) The resolution on the appointment of Shu Lun Pan Certified Public Accountants LLP as the internal control and audit organisation of the Company for 2011 was considered and approved, and was submitted to the general meeting for approval; (4) The resolution on the amendments of the Articles of Association of the Company was considered and approved, and was submitted to the general meeting for approval; (5) The resolution in relation to the continuation of proportionate provision of one-year loan guarantee in the amount of RMB10.5 million to Beijing Beiren Fuji Printing Machinery Company Limited was considered and approved. The resolutions were published on Shanghai Securities News on 29 April 2011.

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

6. The first meeting of the seventh Board of Directors was held on 18 May 2011. (1) The resolution of election of Mr. Zhao Guorong as chairman of the seventh Board of Directors of the Company was considered and approved; (2) The resolution related to the election of the members of special committees of the seventh Board of Directors were considered and approved; (3) The resolution related to the appointment of the General Manager and the secretary to the Board of Directors was considered and approved; (4) The resolution related to the appointment of the Deputy General Manager and Chief Accountant of the Company was considered and approved. The resolutions were published on Shanghai Securities News on 19 May 2011.
7. The second meeting of the seventh Board of Directors was held on 27 July 2011. (1) The 2011 Interim Report of the Company and its summary were considered and approved; (2) The resolution in relation to the provision for impairment of the Company for the half year of 2011 was considered and approved; (3) Resolution in respect of the writing off of bad debts of the Company was considered and approved; (4) The interim reports from the senior management of the Company on their duties were considered and approved, and the result of the evaluation on the senior management members of the Company by the Company's Remuneration and Monitoring Committee was also approved; (5) The resolution regarding the strategic development of a subsidiary, Beijing Beiren Fuji Printing Machinery Company Limited, during the "12th Five-year Plan" was considered and approved; (6) The resolution regarding the change of Beijing Beiren Jingyan Printing Machinery Factory from a joint venture into a limited company was considered and approved; (7) The resolution regarding the adjustment of the Company's financing structure was considered and approved. The resolutions were published on Shanghai Securities News on 28 July 2011.
8. The third meeting of the seventh Board of Directors was held on 27 October 2011. (1) The resolution for the addition of Ms. Wu Dongbo and Ms. Jiang Chi as director nominees of the seventh Board of the Company was considered and approved, and would be submitted to the general meeting for consideration; (2) The resolution for appointing Ms. Jiang Chi as the Company's chief accountant was considered and approved; (3) The resolution regarding the remuneration of the additional director nominees and the entering into of written contracts was considered and approved, and submitted to the general meeting for consideration; (4) The 2011 third quarterly report and summary of the Company were considered and approved; (5) The provision of entrusted loan in the amount of RMB15 million to the subsidiary, Shaanxi Beiren Printing Machinery Limited was considered and approved. The resolutions were published on Shanghai Securities News on 28 October 2011.
9. The first extraordinary meeting of the seventh Board of Directors was held on 16 December 2011. (1) The resolution for the receipt of demolition compensation by the Company was considered and approved; (2) The resolution for the trademark licence agreement entered into with Beiren Group Corporation was considered and approved; (3) The resolution for the amendment of the "Registration and Management System for Persons with Access to the Company's Insider Information" was considered and approved. The resolutions were published on Shanghai Securities News on 17 December 2011.

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

During the reporting period, the Company held the 2010 Annual General Meeting. The Board of the Company performed their duty in strict compliance 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) Establishment of and Improvement on the Management System for External Information Users of the Company

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.

(IV) Statement of the Board on Responsibilities for Internal Control

The Board of Directors and all its members warrant the truthfulness, accuracy and completeness of the contents of this report, and this report does not contain any false information, misleading statements or material omission.

The Board of Directors conducted an evaluation on the internal control in respect of the financial reporting in accordance with the requirements of "Basic Standards for Corporate Internal Control". No material deficiencies were identified in the design or execution of internal control of the Company from 1 January 2011 to 31 December 2011. The internal control system of the Company was complete and its execution was effective.

(V) Establishment and Implementation of Registration and Management System for Persons with Access to the Company’s Insider Information

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.

(VI) After self-inspection, none of the insider of the Company was involved in dealings in shares of the Company which has taken advantage of insider information before the disclosure of material price sensitive information of the Company.

(VII) No regulatory measures or administrative punishment were taken against the Company by the regulatory authorities.

(VIII) Neither the Company nor any of its subsidiaries were in the serious contamination company list published by the environment protection authority.

(IX) There were no significant environmental issues for the Company.

(X) There were no significant social safety issues for the Company.

(XI) No cash dividends were paid as the Company had negative undistributed profit during the reporting period.

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

According to the PRC accounting standards, the Company realized a net profit of RMB11,382,900 during the reporting period; the undistributed profit was RMB-231,668,200 at the end of the year. 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 2011.

(XIII) Distribution of Dividends or Conversion of Surplus Reserves into Share of the Company in the Previous Three Years:

Unit: Dollar Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (RMB) (tax included)	Number of shares converted for every 10 shares (share)	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 (%)
2008	0	0	0	0	-263,141,611.27	0
2009	0	0	0	0	-174,004,582.85	0
2010	0	0	0	0	22,279,381.53	0

(XIV) Fixed Assets

Movements in fixed assets for the year are set out in the notes to the financial statements prepared according to the PRC accounting standards.

(XV) Construction in Progress

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

(XVI) Investments in Subsidiaries

Particulars of the subsidiaries are set out in the notes to the financial statements prepared according to the PRC accounting standards.

(XVII) Associated Companies' Interest

Particulars of the associated companies are set out in the notes to the financial statements prepared according to the PRC accounting standards.

(XVIII) Other Assets

Particulars of other assets are set out in the notes to the financial statements prepared according to the PRC accounting standards.

(XIX) Reserves

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

(XX) Bank Loan

Details of bank loans as at 31 December 2011 are set out in the notes to the financial statements prepared according to the PRC accounting standards.

(XXI) 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 2011, a total of RMB20,208,300 was contributed to the Employee Retirement Insurance Scheme. Apart from the said contribution, the Company has no other commitments or liabilities related to pensions.

(XXII) Connected Transactions

- (1) Please refer to 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.

(XXIII) Staff Quarters

The Company did not sell any public housing flats to staff in 2011. 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.

(XXIV) 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.

(XXV) Annual General Meeting

The Board of Directors proposed that the Annual General Meeting for 2011 to be held in May 2012, specific time of which please refer to the Notice of 2011 Annual General Meeting.

(I) Duties of the Supervisory Committee in 2011

Supervisory Committee of the Company establishes a sound meeting and working system, which can be implemented strictly. Supervisory Committee convened five meetings in 2011, details of which and resolutions are set out below:

1. The Fifteenth Meeting of the Sixth Supervisory Committee of the Company was held at the Conference Room of the Company on 17 March 2011. Details of the meetings are as follows:

The 2010 Supervisory Committee's Work Report was considered and approved, and was proposed to the 2010 annual general meeting for consideration.

The 2010 Annual Report of the Company and its summary were considered and approved.

The 2010 audited Financial Statement was considered and approved.

No profit distribution plan of the Company for 2010 was considered and approved.

Proposal of provision for impairment on assets of the Company for the year 2010 was considered and approved.

The 2010 Internal Control Report of the Company was considered and approved.

The 2010 Social Responsibility Report was considered and approved.

Recommendations of Guo Xuan and Wang Huiling as the candidates for the Seventh Supervisory Committee by the Supervisory Committee were agreed and to be submitted to the 2010 annual general meeting for consideration. In accordance with the result of democratic election employees of the Company, Wang Liansheng was elected as supervisor representative of employees of the Seventh supervisory Committee. The term of office of the new supervisors is from the date on which the proposal is passed at 2010 Annual General Meeting to the conclusion of 2013 Annual General Meeting.

Plans of supervisor's remuneration and conclusion of written contract were considered and approved.

2. The Sixteenth Meeting of the Sixth Supervisory Committee of the Company was held at the Conference Room of the Company on 28 April 2011. Major details of the meetings are:

- (1) the 2011 First Quarterly Report of the Company was considered and approved.

- (2) The proposal for continuing connected transactions between the Company and Beijing Jingcheng Industry Logistic Co., Ltd, a subsidiary of the Company's beneficial controller, Beijing Jingcheng Mechanical and Electrical Holding Co., Ltd. was considered and approved.

3. The First Meeting of the Seventh Supervisory Committee of the Company was held at the Conference Room of the Company on 18 May 2011. Major details of the meetings are:

Mr. Wang Liansheng was elected by the supervisors as the chairman of the seventh Supervisory Committee with a period of 3 years from 18 May 2011 to the closing of 2013 annual general meeting.

4. The Second Meeting of the Seventh Supervisory Committee of the Company was held at the Conference Room of the Company on 27 July 2011. Major details of the meetings are:

- (1) The 2011 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 2011 was considered and approved.

5. The Third Meeting of the Seventh Supervisory Committee of the Company was held at the Conference Room of the Company on 27 October 2011. Major details of the meetings are: 2011 Third Quarterly Report of the Company and its summary were considered and approved.

(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 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. The Financial Report of the Company has been audited by ShineWing Certified Public Accountant. 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 did not acquire and dispose of assets.

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

During the reporting period, the Company completed the entering into of the Framework Agreement for Procurement Supply and Logistics Cooperation with Global Industrial Supply Co., Ltd., a subsidiary of Beijing Jingcheng Machinery Electric Holding Co., Ltd., the Trademark Licence Agreement and Business Cooperation Agreement with Beiren Group Corporation, the major shareholder of the Company and the External Processing Agreement with an associated company, Beijing Beiyong Casting Co. Ltd., etc., all of which are material connected transactions. The above material connected transactions during the reporting period strictly complied with the procedures of relevant requirements of the Company Law and Articles of Association of the Company and the terms of them are fair and reasonable. They were entered into on normal commercial terms and in the interests of the Company and the shareholders as a whole. The transaction prices are 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.

(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 2011 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

15 March 2012

(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 Temporary Delisting or Delisting

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) Acquisition and Disposal of Assets and Mergers of the Company during the Reporting Period

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

(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		3,372,149.51	100.00	Currency transaction		
Beiren Group Corporation	Parent company	Purchase of goods	Purchase of goods	Agreed price		40,349.64	0.00	Currency transaction		
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Associated company	Purchase of goods	Purchase of goods	Agreed price		2,649,572.64	2.21	Currency transaction		
Beijing Beiyong Casting Company Limited	Associated company	Purchase of goods	Purchase of goods	Agreed price		15,420,400.94	12.89	Currency transaction		
Beijing Monigraf Automations Company Limited	Associated company	Purchase of goods	Purchase of goods	Agreed price		14,452,580.64	12.08	Currency transaction		
Beijing Jingchen Industrial Logistics Limited	Other	Purchase of goods	Purchase of goods	Agreed price		16,732,427.11	13.98	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		29,802.38	1.56	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		117,634.92	6.16	Currency transaction		
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Associated company	Sale of goods	Sale of goods	Agreed price		13,092,177.40	3.42	Currency transaction		
Beijing Monigraf Automations Company Limited	Associated company	Other utility fees such as water, electricity and gas fees (purchase)	Sale of water and electricity	Agreed price		20,216.50	1.06	Currency transaction		
Haimen Beiren Printing Machinery Company Limited	Controlling subsidiary of the parent company	Sale of goods	Sale of goods	Agreed price		917.08	0.00	Currency transaction		
Beijing Jingcheng Industrial Logistics Limited	Other	Sale of goods	Sale of goods	Agreed price		6,443,187.38	28.09	Currency transaction		
Total				/	/	72,371,416.14		/	/	/

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

1. Connected Transactions Related to Day-to-day Operation *(cont'd)*

Pursuant to the disclosure requirements set out in Chapter 14A of Hong Kong Listing Rules, transactions with related party disclosed in the note to financial statements constituted connected transactions in accordance with Listing Rules. The Company has made related disclosure in accordance with the requirements of Listing Rules (if required).

- (1) On 14 April 2009, the Board approved the Company the Company (as licensee) to enter into a trademark license agreement with Beiren Group Corporation (as licensor) for a term of three years from 1 January 2009 to 30 December 2011. On 16 December 2011, the Company has entered into the renewed trademark licence agreement for a further term of 1 year from 1 January 2012 to 31 December 2012 with similar terms as stipulated in the trademark licence agreement dated 14 July 2009 entered into between the Company and Beiren Group Corporation in relation to the grant of exclusive rights to use the Trademark by Beiren Group to the Company and its subsidiaries. Beiren Group Corporation, the registered owner of the trademark, granted to the Group an exclusive right (apart from Beiren Group Corporation and its subsidiaries) to use the trademark on the trademark products, which could be sold in the PRC and overseas (except in territories where the trademark has been registered by any third party/parties. On or before 10 April, 10 July, 10 October and 10 January of each year, 1% of the sales income of the Group from the trademark products in respect of the quarter of a year preceding the relevant payment date shall be payable in cash by the Company to Beiren Group Corporation as license fee, provided that the annual license fee shall not be lower than RMB15,000 and shall not exceed RMB6,000,000. The trademark is renowned in the printing manufacturing industry and the Board considers that the continuing use of the trademark by the Group enhances the sales of the trademark products. Pursuant to the requirements of Listing Rules, as Beiren Group Corporation was the holding shareholder who holds 47.78% interests of the Company, this transaction constituted a continuing connected transaction of the Company in accordance with Chapter 14A of Hong Kong Listing Rules. Details of the this continuing connected transaction were set out in the announcements of the Company dated 14 April 2009, 15 April 2009 and 16 December 2011 on the websites of the stock exchanges on which the shares of the Company listed.
- (2) On 17 March 2011, the Company entered into a business cooperation agreement with Beiren Group Corporation, in respect of the provision of services by Beiren Group to the Company for a term from 1 January 2011 to 31 December 2011. The annual fee payable by the Company to Beiren Group Corporation under the business cooperation agreement for the year ending 31 December 2011 is RMB1,500,000. The consideration under the Agreement shall be payable by the Company by two installments, 50% of which shall be paid to Beiren Group Corporation by 15 April 2011 and the remaining balance shall be paid to Beiren Group Corporation by 15 June 2011. Beiren Group Corporation shall provide services to the Company in relation to, including but not limited to: (i) the equipment energy business; (ii) the physical and chemical measurement business; and (iii) the tool and instrument business. In respect of the provision of services, the Company shall cooperate with Beiren Group Corporation by providing it with sites and equipment. Beiren Group Corporation shall only have the right to use the equipment while its ownership shall belong to the Company. The entering into of the Agreement is to reduce the operation cost of the Company and enhance the Company's business efficiency by separating the non-core business. Pursuant to the requirements of Hong Kong Listing Rules, since Beiren Group Corporation is a substantial shareholder of the Company holding approximately 47.78% of the entire issued share capital in the Company. Therefore, Beiren Group is a connected person of the Company under Chapter 14A of the Listing Rules and this transaction constituted a continuing connected transaction of the Company. Details of this continuing connected transaction were set out in the announcements of the Company dated 17 March 2011 on the website of the Stock Exchange.

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

1. Connected Transactions Related to Day-to-day Operation *(cont'd)*

- (3) On 28 April 2011, the Board approved the framework agreement to be entered into between the Company and Beijing Jincheng Industrial Logistics Limited (hereinafter referred to as "Jincheng Logistics"). Pursuant to the framework agreement the Company shall purchase certain goods and spare parts through Jincheng Logistics for a term of 3 years from 1 January 2011 to 31 December 2013 (both days inclusive) unless terminated earlier by either party by giving 60 working days' written notice and after negotiation of the parties. The price of the goods and materials to be purchased by the Company from Jincheng Logistics shall be based on the current market price of the relevant goods and materials. The maximum aggregate consideration, on an annual basis, payable by the Company in respect of the transactions for the contract period shall not exceed RMB 30 million. The Company and Jincheng Logistics will establish a cooperation relationship for procurement of supplies and material distribution. Such cooperation could enhance the procurement and supply management of the Group. The advantages of the centralized procurement of certain goods and spare parts could reduce procurement costs of the Company and to safeguard the Group against market risk. Pursuant to the requirements of Hong Kong Listing Rules, as Jincheng Logistics is 74.8% owned by Beijing Jincheng Machinery Electric Holding Co., Ltd. (hereinafter referred to as "Jincheng Holding"). Jincheng Holding owns 100% interest in Beiren Group Corporation, Jincheng Logistics is an associate of Jincheng Holding which in turn is a substantial shareholder of the Company holding approximately 47.78% interest in the Company. Therefore, Jincheng Logistics is a connected person of the Company under Chapter 14A of the Listing Rules. Details of the this continuing connected transaction were set out in the announcements of the Company dated 28 April 2011 and 29 April 2011 on the websites of the stock exchanges on which the shares of the Company listed.

During the reporting period, the above continuing connected transaction processed in accordance with their contractual agreements. Independent non-executive directors have reviewed each continuing connected transaction and confirmed that:

- (1) it was entered into in the ordinary and usual course of business of the Group;
- (2) it was entered into on normal business terms;
- (3) it was carried out in accordance with the agreed terms of related transaction, which were fair and reasonable and in the interests of the Company and the shareholders as a whole.

The auditors have issued letters without qualification in relation to the disclosed continuing connected transactions of the Group in accordance with Rule 14A.38 of Hong Kong Listing Rules, which contain their findings and conclusion.

Such transactions were entered into in the ordinary and usual course of business of the Group, which were necessary for and continued during the operation of the Company. Also, such transactions would in no way affect the independence of the Company and harm the interests of the Company and shareholders, especially minor shareholders.

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

2. Connected Debts and Liabilities

Unit: RMB

Connected party	Connection	Capital provided to connected parties	Balance	Capital provided to the listed company by connected parties	Balance
		Incurred amount		Incurred amount	
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Associated company	-1,793,559.08	0	-20,651,316.66	0
Haimen Beiren Printing Machinery Company Limited	Controlling subsidiary of the parent company	-378,729.71	0	-	-
Beiren Group Corporation	Parent company	-1,629,191.08	0	-1,247,319.56	0
Beijing Beiyong Casting Company Limited	Associated company			394,628.29	2,394,628.29
Beijing Monigraf Automations Company Limited	Associated company	-150,993.00	0	6,078,837.36	9,549,820.51
Global Industrial Supply Co., Ltd.	Other			8,401,959.73	11,029,499.55
Total		-3,952,472.87	0	-7,023,210.84	22,973,948.35
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)					0
Reason for the connected debts and liabilities		Other receivables			

(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
The Company	Beijing Beiyong Casting Company Limited	Land, Housing	76,389,996.33	1 May 2007	31 December 2011	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
The Company	Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Housing	6,744,716.48	1 May 2007	31 December 2011	5,845,874.25	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	0
Total amount of outstanding guarantee as at the end of the reporting period	0

Guarantees provided to the controlling subsidiaries by the Company

Total amount of guarantee provided to the controlling subsidiaries during the reporting period	1,045
Total amount of outstanding guarantee provided to the controlling subsidiaries as at the end of the reporting period	1,045

**Total amount of guarantee granted by the Company
(including guarantee provided to the controlling subsidiaries)**

Total amount of guarantee	1,045
Proportion of the total amount of guarantee to the net assets of the Company	1.38%
Including:	
Amount of guarantee provided for Shareholders, beneficial controllers and their connected parties	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
Total amount of the above three guarantee	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

Unit: RMB
'0,000

Whether to appoint another accounting firm	No
	Current appointment
Name of accounting firm (Financial reporting audit)	ShineWing Certified Public Accountants
Remuneration of accounting firm	108
Term of audit of accounting firm	5 years
Name of accounting firm (Internal control reporting audit)	BDO China Shu Lun Pan Certified Public Accounts LLP
Remuneration of accounting firm	30
Term of audit of accounting firm	1 year

(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 China Securities Regulatory Commission ("CSRC") or public reprimand by any stock exchange.

(X) Notes to Other Material Events**1. Receipt of government subsidies**

The Company had received product research and development fees and subsidies for disabled staff amounting to RMB2,615,200 from the government.

2. During the reporting period, there was no change in respect of the consolidation of subsidiaries

3. As Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited, an associated company, poorly performed, the Board decided to liquidate such company during the period. As at the end of reporting period, such company was in liquidation process.

4. **The applicable enterprise income tax rate for the Company is 25% during the reporting period. No tax credit was granted to the Company under Rule 21 of Appendix 16 of Listing Rules due to holding of Company's shares by shareholders.**

5. Audit of financial report for the reporting period by the audit committee

The 2011 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 2011.

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

9. According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" and the related amendments to the Rules Governing the Listing of Securities ("the Amended Listing Rules") published by the Stock Exchange in December 2010, Mainland incorporated issuers listed in Hong Kong are allowed to prepare their financial statements as required by the Amended Listing Rules in accordance with China Accounting Standards for Business Enterprises ("China Accounting Standards"), and Mainland audit firms approved by the Ministry of Finance of China ("Ministry of Finance") and the CSRC are allowed to audit these financial statements in accordance with the China Accounting Standards on Auditing ("China Auditing Standards"). The Company noted that ShineWing Certified Public Accountants ("ShineWing") is a domestic accounting firm recognized by the Ministry of Finance and CSRC, therefore it was considered and approved in the 2010 Annual General Meeting of the Company to appoint ShineWing as the domestic and oversea auditor of the Company for 2011.

It is the first time to disclose the financial statements in the 2011 Interim Report in compliance with the China Auditing Standards only, while the financial data in the previous financial statements was disclosed in compliance with both the China Auditing Standards and the Hong Kong Financial Reporting Standards. Due to the application of the different reporting standards, certain financial data for 2011 which was disclosed in 2010 Interim Report is not exactly the same as those disclosed in the 2010 Annual Report, the discrepancy, however, is not material.

(XI) Access to Discloseable Information

Events	Name and page of the publication	Date of Publishing	Websites and path of publication
Announcement of estimated profit	Shanghai Securities News page B36	28 January 2011	Website of Shanghai Stock Exchange http://www.sse.com.cn HKExnews website of Hong Kong Stock Exchange http://www.hkexnews.hk
Announcement of resolutions passed at the 8th extraordinary meeting of the Sixth Board of Directors	Shanghai Securities News page B25	17 February 2011	As above
Announcement of resolutions passed at the 26th meeting of the Sixth Board of Directors	Shanghai Securities News page B18	18 March 2011	As above
Announcement on connected transaction	Shanghai Securities News page B18	18 March 2011	As above
Announcement of resolutions passed by the Sixth Supervisory Committee	Shanghai Securities News page B18	18 March 2011	As above
Announcement on results summary	Shanghai Securities News page B18	18 March 2011	As above
Notice of 2010 Annual General Meeting	Shanghai Securities News page B160	31 March 2011	As above
Announcement of resolutions passed at the 27th meeting of the Sixth Board of Directors	Shanghai Securities News page B66	29 April 2011	As above
Supplemental notice of 2010 Annual General Meeting	Shanghai Securities News page B66	29 April 2011	As above
Announcement of resolutions passed at the 16th meeting of the Sixth Supervisory Committee	Shanghai Securities News page B66	29 April 2011	As above
Announcement on connected transaction	Shanghai Securities News page B66	29 April 2011	As above
Summary of the First Quarterly Report	Shanghai Securities News page B66	29 April 2011	As above
Announcement on resolutions passed at the 2010 Annual General Meeting	Shanghai Securities News page B18	19 May 2011	As above
Announcement of resolutions passed at the 1st meeting of the Seventh Board of Directors	Shanghai Securities News page B18	19 May 2011	As above
Announcement of resolutions passed at the 1st meeting of the Seventh Supervisory Committee	Shanghai Securities News page B18	19 May 2011	As above
Announcement on the withdrawal of A shares delisting risk warning	Shanghai Securities News page B28	26 May 2011	As above
Annual supplemental announcement	Shanghai Securities News page 15	28 May 2011	As above
Announcement on half-year estimated profit	Shanghai Securities News page B36	1 July 2011	As above

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

Events	Name and page of the publication	Date of Publishing	Websites and path of publication
Announcement of resolutions passed at the 2nd meeting of the Seventh Supervisory Committee	Shanghai Securities News page B34	28 July 2011	As above
Announcement of resolutions passed at the 2nd meeting of the Seventh Supervisory Committee	Shanghai Securities News page B34	28 July 2011	As above
Interim Report Summary	Shanghai Securities News page B34	28 July 2011	As above
Announcement of Amendment to the Interim Report	Shanghai Securities News page B46	29 July 2011	As above
Announcement on resignation of director	Shanghai Securities News page B32	28 September 2011	As above
Announcement of resolutions passed at the 3rd meeting of the Seventh Supervisory Committee	Shanghai Securities News page B15	28 October 2011	As above
Third Quarterly Report	Shanghai Securities News page B15	28 October 2011	As above
Announcement on unusual price movements of A shares	Shanghai Securities News page B30	16 December 2011	As above
Announcement for resolutions passed at the 1st extraordinary meeting of the Seventh Board of Directors	Shanghai Securities News page B18	17 December 2011	As above
Announcement for the continued connected transaction	Shanghai Securities News page B18	17 December 2011	As above

To the Board of Directors Beiren Printing Machinery Holdings Limited:

We have audited the accompanying consolidated financial statements of Beiren Printing Machinery Holdings Limited ('the Company'), which comprise the consolidated balance sheet and consolidated statement of changes in owners' equity as at 31 December 2011, and the consolidated income statement, the consolidated cash flow statement for the year then ended 2011, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements. This responsibility includes: (1) preparing these consolidated financial statements in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to enable that the consolidated financial statements 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. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2011, and the consolidated financial performance and the consolidated cash flows of the Company for the year then ended 2011, in accordance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

ShineWing Certified Public Accountants

15 March 2012

Chinese Certified Public Accountants **Huang ying**
Chinese Certified Public Accountants **Wang xin**

CONSOLIDATED BALANCE SHEET

(Prepared under PRC accounting standards)

Unit: RMB

Assets	Appendix	Consolidated Amount	
		31 Dec 2011	31 Dec 2010
Current Assets:			
Cash	VII.1	161,866,351.06	119,043,008.51
Tradable Financial Assets			
Notes Receivable	VII.2	20,263,400.00	35,414,560.16
Accounts Receivable	VII.3	163,969,806.39	203,110,996.56
Advances to Suppliers	VII.4	30,187,908.20	19,783,787.32
Interests Receivable			
Dividends Receivable	VII.5	113,600.00	
Other Accounts Receivable	VII.6	17,583,975.31	18,269,692.57
Inventory	VII.7	422,781,854.19	349,628,293.09
Non-current Assets maturing within one year			
Other Current Assets			
Total Current Assets		816,766,895.15	745,250,338.21
Non-current Assets			
Financial Assets available for sale			
Holding to Maturity Investment			
Long-term Accounts Receivable			
Long-term Equity Investment	VII.8	15,660,364.86	15,567,084.36
Investment Property	VII.9	6,739,095.77	6,927,332.93
Fixed Assets	VII.10	526,997,541.58	568,054,568.92
Construction in Progress	VII.11	3,179,294.90	2,945,090.11
Project Materials			
Disposal of Fixed Assets			
Intangible Assets	VII.12	104,020,316.25	106,507,925.87
Goodwill			
Long-term Prepayments	VII.13	9,367,320.00	9,367,320.00
Deferred Income Tax Assets	VII.14	2,711,017.52	2,741,017.74
Other Non-current Assets			
Total Non-current Assets		668,674,950.88	712,110,339.93
Total Assets		1,485,441,846.03	1,457,360,678.14

Legal Person: Zhang Peiwu

Accounting Director: Jiang Chi

Accounting Manager: Qin Yu

CONSOLIDATED BALANCE SHEET

(Prepared under PRC accounting standards)

Unit: RMB

Liabilities and Shareholder's Equity	Appendix	Consolidated Amount	
		31 Dec 2011	31 Dec 2010
Current Liabilities:			
Short-term Loan	VII.16	220,000,000.00	139,750,000.00
Tradable Financial Liabilities			
Notes Payable	VII.17	16,950,000.00	14,000,000.00
Accounts Payable	VII.18	272,997,745.92	298,873,675.48
Advances from Customers	VII.19	88,449,580.42	97,701,982.19
Employee Benefit Payable	VII.20	39,091,724.51	50,202,158.38
Taxes Payable	VII.21	-4,129,380.97	8,844,991.23
Interests Payable	VII.22	751,944.17	133,487.50
Dividends Payable			
Other Payables	VII.23	41,361,493.75	48,964,316.34
Non-current Liabilities maturing within one year			
Other Current Liabilities	VII.24	2,257,016.55	1,906,616.57
Total Current Liabilities		677,730,124.35	660,377,227.69
Non-Current Liabilities			
Long-term Loan	VII.25	-	18,000,000.00
Bonds Payable			
Long-term Accounts Payable			
Special Payable	VII.26	31,685,168.05	15,704,528.59
Estimated liabilities	VII.27	567,607.38	592,807.38
Deferred Income Tax Liabilities			
Other Non-current Liabilities	VII.28	716,275.66	1,573,292.21
Total Non-current Liabilities		32,969,051.09	35,870,628.18
Total Liabilities		710,699,175.44	696,247,855.87
Shareholder's Equity			
Stock	VII.29	422,000,000.00	422,000,000.00
Capital Reserves	VII.30	522,877,777.87	522,877,777.87
Less: Treasury Stock			
Special Reserve			
Surplus Reserves	VII.31	43,172,707.88	43,172,707.88
General Risk Reserves			
Undistributed Profit	VII.32	-231,668,177.08	-243,051,077.92
Converted Difference in Foreign Currency Statements			
Total Shareholder's Equity attributed to the Parent		756,382,308.67	744,999,407.83
Minority Shareholder's Equity	VII.33	18,360,361.92	16,113,414.44
Total Shareholder's Equity		774,742,670.59	761,112,822.27
Total Liabilities and Shareholder's Equity		1,485,441,846.03	1,457,360,678.14

Legal Person: Zhang Peiwu

Accounting Director: Jiang Chi

Accounting Manager: Qin Yu

CONSOLIDATED INCOME STATEMENT

(Prepared under PRC accounting standards)

Unit: RMB

Items	Appendix	Consolidated Amount	
		Jan-Dec, 2011	Jan-Dec, 2010
1. Total Operating Income		803,873,926.57	821,357,719.69
Operating Income	VII.34	803,873,926.57	821,357,719.69
2. Total Operating Cost		833,516,231.66	984,532,372.93
Operating Cost	VII.34	640,174,781.71	675,763,338.91
Tax and Additional Expense	VII.35	6,017,580.63	5,564,191.62
Sales Expense	VII.36	59,983,930.02	76,234,466.33
Administration Expense	VII.37	109,017,465.08	134,817,623.08
Financial Expense	VII.38	7,937,550.30	18,043,294.08
Assets Impairment Losses	VII.39	10,384,923.92	74,109,458.91
Add: Income of Fair Value Change (loss marked "-")			
Investment Income (loss marked "-")	VII.40	206,880.50	172,505,755.82
Thereinto: Investment Income to Subsidiaries and Joint Venture		206,880.50	466,489.04
Exchange Gain and Loss (loss marked "-")			
3. Operating Profit (loss marked "-")		-29,435,424.59	9,331,102.58
Add: Non-operating Income	VII.41	44,402,275.63	16,766,285.66
Less: Non-operating Expense	VII.42	1,307,002.50	1,127,810.83
Thereinto: Disposal Loss of Non-current Assets		1,183,716.93	496,899.73
4. Total Profit (loss marked "-")		13,659,848.54	24,969,577.41
Less: Income Tax Expense	VII.43	30,000.22	5,499,059.02
5. Net Profit		13,629,848.32	19,470,518.39
Thereinto: Net Profit Attributed to the Parent's Shareholders		11,382,900.84	22,279,381.53
Minority Shareholder's Equity		2,246,947.48	-2,808,863.14
6. Earnings per Share:			
(1) Basic Earnings per Share		0.03	0.05
(2) Earnings per Diluted Share		0.03	0.05
7. Other Comprehensive Income			
8. Total Comprehensive Income		13,629,848.32	19,470,518.39
Total Comprehensive Income of the Parent's Shareholders		11,382,900.84	22,279,381.53
Total Comprehensive Income of the Minority Shareholders		2,246,947.48	-2,808,863.14

Legal Person: Zhang Peiwu

Accounting Director: Jiang Chi

Accounting Manager: Qin Yu

CONSOLIDATED CASH FLOW STATEMENT

(Prepared under PRC accounting standards)

Unit: RMB

Items	Appendix	Jan-Dec, 2011	Jan-Dec, 2010
1. Cash Flow from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		698,249,848.82	723,179,036.82
Receipts of taxes and levy refunds		830,970.19	165,759.86
Other Cash receipts in operating activities	VII.45	58,168,213.98	33,485,213.41
Subtotal Cash Flow-in from Operating Activities		757,249,032.99	756,830,010.09
Cash payments for goods and services acquired		468,248,461.97	440,667,035.83
Cash payments to and on behalf of employees		199,598,997.58	194,476,773.15
Payments of taxes and levy		55,884,465.57	65,551,649.89
Other cash payments from Operating Activities	VII.45	54,415,236.93	49,617,145.95
Subtotal Cash Flow-out from Operating Activities		778,147,162.05	750,312,604.82
Net Cash Flow from Operating Activities		-20,898,129.06	6,517,405.27
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		28,146,285.00	16,427,381.09
Net cash receipts from disposal of subsidiaries and other business units			189,044,834.18
Other cash receipts in investing activities			
Total Cash Flow-in from Investing Activities		28,146,285.00	210,167,463.17
Cash payments to acquired fixed assets, intangible assets and other long-term assets		7,460,473.06	2,683,349.37
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	VII.45		872,485.07
Total Cash Flow-out from Investing Activities		7,460,473.06	21,631,105.08
Net Cash Flow from Investing Activities		20,685,811.94	188,536,358.09
3. Cash Flow from Financing Activities:			
Cash proceeds from absorbing investment			
Thereinto: cash receipts from absorbing minority shareholders' investment by subsidiary		227,000,000.00	319,250,000.00
Cash receipts from borrowings			
Cash receipts from bonds issuing			
Other cash receipts in financing activities			
Total Cash Flow-in from Financing Activities		227,000,000.00	319,250,000.00
Cash repayments of amount borrowed		164,750,000.00	488,400,000.00
Cash payments for distribution of dividends, profits or interest expenses		10,464,595.41	17,887,765.01
Thereinto: subsidiary's payment for minority shareholders' interest and profit			
Other cash payments in financing activities	VII.45	5,412,402.69	9,331,111.79
Subtotal Cash Flow-out from financing Activities		180,626,998.10	515,618,876.80
Net Cash Flow from Financing Activities		46,373,001.90	-196,368,876.80
4. Effect of exchange rate change on cash and cash equivalent		-74,321.76	-29,151.52
5. Net Increased Cash and Cash Equivalent	VII.45	46,086,363.02	-1,344,264.96
Add: the Beginning Balance of Cash and Cash Equivalent	VII.45	110,505,385.35	111,849,650.31
6. The Ending Balance of Cash and Cash Equivalent	VII.45	156,591,748.37	110,505,385.35

Legal Person: Zhang Peiwu

Accounting Director: Jiang Chi

Accounting Manager: Qin Yu

CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

(Prepared under PRC accounting standards)
Jan-Dec, 2011

Unit: RMB

Items	Amount for the Current Period								Minority Shareholder's Equity	Total Shareholder's Equity
	Capital Share	Capital Reserves	Less: Treasury Stock	Special Reserve	Surplus Reserves	Business Risk Reserve	Undistributed Profit	Others		
1. The ending balance for last 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
Add: Changes in Accounting Policies										-
Corrections for previous errors										-
Others										-
2. The beginning balance of 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
3. Increase and decrease for this year (decrease represents as "-")										
(1) Net profit	-	-	-	-	-	-	11,382,900.84		2,246,947.48	13,629,848.32
(2) Profits and losses directly recorded in shareholder's equity										-
Subtotal of (1) and (2)	-	-	-	-	-	-	11,382,900.84		2,246,947.48	13,629,848.32
(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)										-
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		-231,668,177.08		18,360,361.92	774,742,670.59

Legal Person: Zhang Peiwu

Accounting Director: Jiang Chi

Accounting Manager: Qin Yu

CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

(Prepared under PRC accounting standards)
Jan-Dec, 2011

Unit: RMB

Items	Capital Share	Amount for the Period of the Last Year							Minority Shareholder's Equity	Total Shareholder's Equity	
		Capital Reserves	Less: Treasury Stock	Special Reserve	Surplus Reserves	Business Risk Reserve	Undistributed Profit	Others			
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		-	743,308,952.82
3. Increase and decrease for this year (decrease represents as "-")											
(1) Net profit								22,279,381.53		-4,333,018.89	17,803,869.45
(2) Profits and losses directly recorded in shareholder's equity										-2,808,863.14	19,470,518.39
Subtotal of (1) and (2)								22,279,381.53		-2,808,863.14	19,470,518.39
(3) Shareholders Investing and Reducing Capital											
I. Shareholders investing capital											
II. Shares payment in shareholder's equity											
III. Others			-142,493.19								-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: **Zhang Peiwu**

Accounting Director: **Jiang Chi**

Accounting Manager: **Qin Yu**

BALANCE SHEET OF THE PARENT

(Prepared under PRC accounting standards)

Unit: RMB

Assets	Appendix	31 Dec 2011	31 Dec 2010
Current Assets:			
Cash		133,470,663.08	74,222,278.37
Tradable Financial Assets			
Notes Receivable		16,108,400.00	26,668,560.16
Accounts Receivable	XVI.1	102,108,162.49	154,601,863.77
Advances to Suppliers		2,001,561.11	806,136.63
Interests Receivable		343,324.17	
Dividends Receivable		113,600.00	
Other Accounts Receivable	XVI.2	7,085,647.86	9,406,209.57
Inventory		289,129,226.98	231,094,440.03
Non-current Assets maturing within one year			
Other Current Assets		95,000,000.00	
Total Current Assets		645,360,585.69	496,799,488.53
Non-current Assets			
Financial Assets available for sale			
Holding to Maturity Investment			
Long-term Accounts Receivable			
Long-term Equity Investment	XVI.3	165,473,064.12	165,379,783.62
Investment Property		6,739,095.77	6,927,332.93
Fixed Assets		406,098,867.03	443,749,651.03
Construction in Progress		2,816,487.16	1,580,197.43
Project Materials			
Disposal of Fixed Assets			
Intangible Asset		84,638,825.87	86,668,493.77
Goodwill			
Long-term Prepayments		9,367,320.00	9,367,320.00
Deferred Income Tax Assets			
Other Non-current Assets			
Total Non-current Assets		675,133,659.95	713,672,778.78
Total Assets		1,320,494,245.64	1,210,472,267.31

Legal Person: **Zhang Peiwu**

Accounting Director: **Jiang Chi**

Accounting Manager: **Qin Yu**

BALANCE SHEET OF THE PARENT

(Prepared under PRC accounting standards)

Unit: RMB

Liabilities and Shareholder's Equity	Appendix	31 Dec 2011	31 Dec 2010
Current Liabilities:			
Short-term Loan		210,000,000.00	70,000,000.00
Tradable Financial Liabilities			
Notes Payable			
Accounts Payable		176,242,675.31	212,325,442.83
Advances from Customers		12,730,422.05	8,698,989.63
Employee Benefit Payable		22,320,919.37	29,469,396.62
Taxes Payable		-4,622,406.84	5,563,471.31
Interests Payable		751,944.17	133,487.50
Dividends Payable			
Other Payables		58,521,768.96	60,515,233.00
Non-current Liabilities maturing within one year			
Other Current Liabilities		1,706,815.99	1,356,816.01
Total Current Liabilities		477,652,139.01	388,062,836.90
Non-Current Liabilities			
Long-term Loan			
Bonds Payable			
Long-term Accounts Payable			
Special Payable		25,973,413.38	9,618,808.71
Estimated liabilities		567,607.38	592,807.38
Deferred Income Tax Liabilities			
Other Non-current Liabilities			656,815.99
Total Non-current Liabilities		26,541,020.76	10,868,432.08
Total Liabilities		504,193,159.77	398,931,268.98
Shareholder's Equity			
Stock		422,000,000.00	422,000,000.00
Capital Reserves		518,165,762.89	518,165,762.89
Less: Treasury Stock			
Special Reserve			
Surplus Reserves		38,071,282.24	38,071,282.24
General Risk Reserves			
Undistributed Profit		-161,935,959.26	-166,696,046.80
Total Shareholder's Equity		816,301,085.87	811,540,998.33
Total Liabilities and Shareholder's Equity		1,320,494,245.64	1,210,472,267.31

Legal Person: Zhang Peiwu

Accounting Director: Jiang Chi

Accounting Manager: Qin Yu

INCOME STATEMENT OF THE PARENT

(Prepared under PRC accounting standards)

Unit: RMB

Items	Appendix	Jan-Dec, 2011	Jan-Dec, 2010
1. Total Operating Income	XVI.4	369,919,788.94	444,841,323.34
Less: Operating Cost	XVI.4	300,178,592.46	384,570,303.04
Tax and Additional Expense		4,000,154.61	3,919,871.31
Sales Expense		24,818,427.19	39,381,651.43
Administration Expense		63,088,452.00	92,964,899.33
Financial Expense		2,210,606.58	11,720,401.04
Assets Impairment Losses		10,039,314.69	64,876,491.11
Add: Income of Fair Value Change (loss marked "-")			
Investment Income (loss marked "-")	XVI.5	206,880.50	125,610,576.88
Thereinto: Investment Income to Subsidiaries and Joint Venture		206,880.50	466,489.04
2. Operating Profit (loss marked "-")		-34,208,878.09	-26,981,717.04
Add: Non-operating Income		39,054,367.19	13,809,278.22
Less: Non-operating Expense		85,401.56	828,099.52
Thereinto: Disposal Loss of Non-current Assets			482,184.12
3. Total Profit (loss marked "-")		4,760,087.54	-14,000,538.34
Less: Income Tax Expense			
4. Net Profit		4,760,087.54	-14,000,538.34

Legal Person: **Zhang Peiwu**

Accounting Director: **Jiang Chi**

Accounting Manager: **Qin Yu**

CASH FLOW STATEMENT OF THE PARENT

(Prepared under PRC accounting standards)

Unit: RMB

Item	Appendix	31 Dec 2011	31 Dec 2010
1. Cash Flow from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		352,163,873.07	361,787,537.64
Receipts of taxes and levy refunds		133,002.96	
Other Cash receipts relating to operating activities		53,395,561.01	19,266,956.45
Subtotal Cash Inflow from Operating Activities		405,692,437.04	381,054,494.09
Cash payments for goods and services acquired		218,969,963.92	217,207,928.17
Cash payments to and on behalf of employees		116,026,278.85	121,582,289.40
Payments of taxes and levy		29,834,371.30	39,069,690.14
Other cash payments relating to Operating Activities		47,916,716.56	35,152,105.06
Subtotal Cash Outflow from Operating Activities		412,747,330.63	413,012,012.77
Net Cash Flow from Operating Activities		-7,054,893.59	-31,957,518.68
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		28,058,355.00	16,185,081.10
Net cash receipts from disposal of subsidiaries and other business units		-	195,154,423.09
Other cash receipts in investing activities		3,691,381.68	15,122,175.00
Total Cash Inflow from Investing Activities		31,749,736.68	226,461,679.19
Cash payments to acquired fixed assets, intangible assets and other long-term assets		2,050,650.01	338,070.06
Cash payments to acquired investments		95,000,000.00	18,075,270.64
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		97,050,650.01	34,285,825.77
Net Cash Flow from Investing Activities		-65,300,913.33	192,175,853.42
3. Cash Flow from Financing Activities:			
Cash proceeds from absorbing investment			
Cash receipts from borrowings		210,000,000.00	245,000,000.00
Cash receipts from bonds issuing			
Other cash receipts in financing activities			
Total Cash Inflow from Financing Activities		210,000,000.00	245,000,000.00
Cash repayments of amount borrowed		70,000,000.00	405,000,000.00
Cash payments for distribution of dividends, profits or interest expenses		8,324,398.35	12,557,039.90
Other cash payments in financing activities			
Subtotal Cash Outflow from financing Activities		78,324,398.35	417,557,039.90
Net Cash Flow from Financing Activities		131,675,601.65	-172,557,039.90
4. Effect of exchange rate changes on cash and cashequivalent		-71,410.02	-7,045.22
5. Net Increased In Cash and Cash Equivalent	XVI.6	59,248,384.71	-12,345,750.38
Add: the Beginning Balance of Cash and Cash	XVI.6	74,222,278.37	86,568,028.75
6. The Ending Balance of Cash and Cash Equivalent	XVI.6	133,470,663.08	74,222,278.37

Legal Person: Zhang Peiwu

Accounting Director: Jiang Chi

Accounting Manager: Qin Yu

STATEMENT OF MOVEMENT ON EQUITY OF THE PARENT

(Prepared under PRC accounting standards)
Jan-Dec 2011

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		518,165,762.89					-166,696,046.80	
Add: Changes in Accounting Policies								-
Corrections for previous errors								-
Others								-
2. The beginning balance of this year		518,165,762.89	-	-	-	-	-166,696,046.80	
3. Increase and decrease for this year (decrease represents as "-")								
(1) Net profit							4,760,087.54	4,760,087.54
(2) Profits and losses directly recorded in shareholder's equity								-
Subtotal of (1) and (2)							4,760,087.54	4,760,087.54
(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)								-
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		518,165,762.89	-	-	-	-	-161,935,959.26	

The attached appendix is part of the financial statements.

Legal Person: **Zhang Peiwu**

Accounting Director: **Jiang Chi**

Accounting Manager: **Qin Yu**

STATEMENT OF MOVEMENT ON EQUITY OF THE PARENT

(Prepared under PRC accounting standards)
Jan-Dec 2011

Unit:RMB

Items	Amount for the Period of the Last Year							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	824,836,036.49
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	824,836,036.49
3. Increase and decrease for this year (decrease represents as "-")								
(1) Net profit		709,500.18	-	-			-14,000,538.34	-13,291,038.16
(2) Profits and losses directly recorded in shareholder's equity							-14,000,538.34	-14,000,538.34
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

Legal Person: **Zhang Peiwu**

Accounting Director: **Jiang Chi**

Accounting Manager: **Qin Yu**

I. General

Beiren Printing Machinery Holdings Company Limited (the “Company”) was established by Beiren Group Corporation (the “Group”) in Beijing, the People’s Republic of China (the “PRC”) on 13 July 1993 as a joint stock limited company. The Group 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 Group became a listed company with the right of issuing public shares in both mainland of China and Hong Kong. In accordance with the approval of the China Securities Regulatory Commission (“CSRC”) of the State Council, the H Shares and A Shares of the Group 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 Jan 2003, the Group issued 22,000,000 additional A Shares listed on the Shanghai Stock Exchange, with par value of RMB1 Yuan. After the additional issues, the total outstanding shares of the Group 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 Group. Up to 30 Jun 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 Group is 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 Group and the ultimate parent company is Beijing National Capital Mechanical And Electrical Holding Company Limited The Shareholders’ Meeting, as the authority of the Group, 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 resolute by the Shareholders’ Meeting and the Board of Directors, and preside over the operational management of the Group as well.

II. Basis of Preparation of Financial Statement

The financial statements have been prepared on a going concern and actual transaction basis.

III. Announcement

The financial statements prepared by the Group are subject to requirements from the Accounting Standards and present fairly the Group and the Group’s financial position as at 31 December 2011 and operation results, cash flow and other related information for year 2011.

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

1. Accounting period

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

2. Reporting currency

The reporting currency is Renminbi.

3. Principles of accounting and measurement

The Group uses the accrual method as its basis of accounting. All assets are measured at historical 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 2011

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

4. Method of preparing consolidated financial statements

(1) Principles in determining the scope of the consolidation

The scope of consolidation is determined on the basis of control. Control refers to the right that the Group is able to make decisions on financial and operational policies of the invested company, and receiving benefits from the business activities conducted by the invested company. The scope of the consolidation includes the Group and all its subsidiaries. Subsidiary means enterprise or entity that is controlled by the Group.

(2) Method of preparing consolidated financial statements

The Group begins to include a subsidiary in the scope of consolidation from the date that the Group acquires the net assets and effective control over the operation and business decisions of the subsidiary. A subsidiary is excluded out of the scope of the Group's consolidation from the date the Group loses effective control over it. The significant balance, transactions and unrealized profits which fall in the scope of consolidation is offset when prepare consolidation statements. Shareholders' equity of subsidiary and net profit and loss which are not belonging to the Group will be treated as minority shareholders' equity and profit and loss to be presented separately under the shareholder's equity of consolidated report.

When accounting policy or accounting period that subsidiaries adopt are not in accordance with the Group, the Group's will prevail or necessary adjustments need to be made on subsidiaries' financial statements when prepare for consolidation.

For subsidiaries acquired through business combination not under common control: Make adjustments on certain financial statements based on identifiable fair value of net assets at the purchase date. For subsidiaries acquired through business combination under common control: the business combination is treated occurred at the beginning of the earliest reporting period. The assets, liabilities, operation results and cash flow are recorded at the consolidation statements at its book value.

5. 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.

6. Foreign exchange translation

Transactions by foreign currency are translated into RMB at the spot exchange rate of the transaction date. On the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. Except for from the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalized eventually, the exchange difference is accounted into current profit and loss. For non-monetary items measured at fair value and by foreign currency, the exchange rate on the date when the fair value is recognized is applied and the exchange difference is accounted into current profit and loss as a result of fair value change. For non-monetary accounts measured in foreign currency under historical cost method, the exchange rate on the date when the cost is recognized is applied and the amount in RMB kept unchanging.

7. Financial Instruments

(1) The classification of financial assets and financial liabilities

According to the investment purpose and economic substance, the Group classifies its financial assets as Financial assets at fair value through profit and loss, Held-to-maturity investments, Loans and receivables and Available-for-sale financial assets.

- 1) Financial assets at fair value through profit and loss
Financial assets at fair value through profit and loss includes: held for trading and allows entities to choose to classify other financial instruments as held at fair value with changes in fair value recorded through profit and loss.

Held for trading is acquired principally for purpose of sale, except if the derivative is designated and held as an effective hedging instrument.

- 2) Held-to-maturity investments is defined as a non-derivative financial asset that has fixed or determinable payments for which an entity has a positive intent and ability to hold to maturity.
- 3) Loans and receivables is defined as a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market.

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

7. Financial Instruments *(cont'd)*

(1) The classification of financial assets and financial liabilities *(cont'd)*

- 4) Available-for-sale financial assets is defined as financial assets that are designated as available for sale are not classified as: 1) 2) and 3).

The Group classifies its financial assets as financial liability at fair value through profit or loss and other financial liabilities.

Other financial liabilities mean a non-derivative financial liability other than financial liabilities at fair value through profit or loss.

(2) Financial assets and financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit and loss includes: held for trading and allows entities to choose to classify other financial instruments as held at fair value with changes in fair value recorded through profit and loss.

The Group determines the classification of financial assets and financial liabilities in the initial recognition.

According to subsequent fair value measurement, financial liabilities at fair value through profit and loss includes: held for trading and choose to classify other financial instruments as held at fair value with changes in fair value recorded through profit and loss, changes in fair value through profit or loss and financial liability related interests gain or loss are accounts into profit and loss for the period.

(3) Recognition of financial assets and financial liability

The Group requires the initial recognition of a financial asset and financial liability when the Group becomes party to the contractual provisions of the instrument.

For financial assets and financial liabilities at fair value through profit or loss, transaction costs are directly attributable to the profit and loss. For financial assets and financial liabilities are not measured at fair value through profit or loss, such transaction costs are added to the fair value for the initial costs.

(4) Subsequent measurement of financial assets and financial liabilities.

After initial recognition, the Group shall measure financial assets and financial liabilities at their fair value, without any deduction for transaction costs it may incur on sale or other disposal, except for the followings:

- Held-to-maturity investments, loans and receivables and other financial liabilities, which shall be measured at amortized cost using the effective interest method;
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost;
- Financial assets and financial liabilities at fair value through profit or loss, which the gain or loss rose by changes of fair value (excluded interest gain or loss), attribute to 'gain or loss of fair value' in the income statement.
- Available for sale financial assets, which the change in fair value subsequent to acquisition is recognized as a component of comprehensive income, except for impairment losses and foreign exchange gains and losses.

(5) Fair value measurement considerations

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

For the financial instruments with active market-quoted prices, the Group adopts market price for a financial instrument without any deduction for transaction costs it may incur on sale or other disposal. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price. When current bid and asking prices are unavailable, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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

7. Financial Instruments (cont'd)

(5) Fair value measurement considerations (cont'd)

For the financial instruments without active market-quoted prices, the Group uses valuation techniques. Valuation techniques include reference to the market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Such valuation techniques should be assessed by comparison to the actual market prices when these are available used the Group specific data in the minimum level.

The Group would assess the valuation techniques at fixed period, and test the effectiveness.

(6) Derecognition of financial assets and financial liabilities

The Group shall derecognize a financial asset (or a part of a group of similar financial assets) when a financial asset (or a group of similar financial assets) satisfied one of the followings:

- The contractual rights to the cash flows from the financial asset expire
- The Group transfers all the related risk and rewards of a financial asset, either transfer nor retain the rights of risk and rewards, but the Group transfer the contractual rights for the financial assets.

The Group shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished – that is, when the obligation specified in the contract is discharged or cancelled or expires.

(7) Impairment of financial assets

Except for the financial assets at fair value through profit or loss, the Group shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall determine the amount of any impairment loss. The changes in fair value were previously recognized in equity now recognized in other comprehensive income, when there is a significant and extemporary decline in the fair value of the held for trading financial assets. Financial assets that are remeasured when the fair value is increased, reversed the changes in fair value were previously recognized into part of the equity.

For the financial assets carried at amortized cost, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows (excluded the future credit risk), and attributes to the comprehensive income for the period. Financial assets that are remeasured when the fair value is increased, reversed the changes in fair value were previously recognized into part of the equity.

Investments in equity instruments that do not have a quoted market price in an active market, an impairment loss recognized for such instruments is not be reversed while the instrument continues to be recognized.

8. Accounts receivable

The Group assesses the book value of receivables on balance sheet date, and the bad debt expense 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 are 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 cannot be collected with solid evidence, the loss of bad debts will be recognized after the approval through the Group's process, and written-off against the provision of the bad debts.

1) Individual Receivables above Significant Level

The basis or standard for 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.

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

8. Accounts receivable (cont'd)

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

The basis of defining combinations	
Combination based on age of 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

9. Inventory

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

The inventory is measured at historical cost which covers purchase cost, processing cost and other expenditures for the purpose of inventory available for current location and status, when acquired. When inventories are issued, the weighted average method will be applied for the actual issuing cost. 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 historical 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 the 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 perpetual inventory system is applied by the Group to the inventory physically stocktaking.

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

10. Long-term equity investment

The item of long-term equity investment includes equity investments which are either with the control, common control or significant influence over investees, or without those control or influence over investees and no offer or fair value can be measured reliably in the market.

Subsidiaries defined as invested entities can be controlled by the Company; Joint-ventures defined as invested entities can be jointly controlled by the Company and other investing parties; associated enterprise defined as invested entities of which the Group has significant influence over its financial and operation decisions.

(1) Identify control, common control and significant influence:

Control indicates Company has power to decide invested entities' financial and operating policy and will benefit for their operating activities. When determine whether Company has control over the invested entities, their convertible corporate bonds and executive share options for the current period should been taken into consideration as well.

Common control indicates the sharing control according to the contract. Any parties involved cannot control the production and operation activities of the joint venture. All decisions related to principal operation activities need the agreement from all parties.

Significant influence indicates the rights to be involved into the decision-making on financial and operational policies in investees but no control or common control on these policies-making. The evidence of significant influence is the direct ownership or indirect ownership through subsidiaries of from 20% up to 50% voting rights from investees otherwise there must be solid evidences showing investors cannot be involved in investees' decision making under such conditions.

(2) Initial measurement

For the merger of enterprises under the same control, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

For a business combination realized by a transaction of exchange, the combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree. The positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree is recognized as business reputation. The acquirer is treated the balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree:

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement except the unfair value stipulated in the contract or agreement.

The initial cost of a long-term equity investment obtained by recombination of liabilities or the exchange of nonmonetary assets shall be ascertained in accordance with Accounting Standards for Enterprises.

(3) Subsequent measurement

The Group recognizes the investment on subsidiaries by cost method and adjusts into equity method in compilation of consolidated statements. The Group 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 Group 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.

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

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

(3) Subsequent measurement *(cont'd)*

For equity method: The current period's profit and loss is the entitled portion of investee's profit or loss for the period. Determine gain or loss of investment and adjust book value of long-term investment; factors rather than net profit or losses that have impacts on investee's change of equity; when share percentage maintains unchanged, calculate gain or loss on the investment and adjust book value of long-term investment; determine capital reserve. When Group determines entitled amount of net profit or loss from investee: the fair value of investee's assets at the acquisition date should be applied as calculation basis; in accordance with Group's accounting policy and period, set off internal transactions between joint-ventures and associated enterprises; adjust investee's net profit and loss. Calculate entitled amount based on declared dividends and cash dividends of investee and lower book value of long-term investment accordingly. When Group determines investee's net loss: uses the book value of long-term investment as basis and impair the value as low as nil, contractual obligation to undertake additional loss is exclusive. In addition, in the case that Group has contractual obligation to undertake additional loss, then, estimated liability should be determined by the contractual amount and accounted into current period profit and loss. In the case that investee achieve net profit in following periods, Group begins to recognize return of investment after compensate undetermined share of loss.

The long-term equity investment for which that Group doesn't have common control or significant influence over the investee any more as a result of the decrease of investment or other reasons, and there is no offer in the active market and of which the fair value cannot be reliably measured, the cost method shall be adopted for valuation; Equity method will be adopted under the following circumstances: investee that Group has common control or significant influence but not control due to increased additional investment; due to reasons such as disposal of long-term investment Group no longer has control but only common control and significant influence over investee.

(4) Disposal of a Long-term equity investment

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.

(5) Impairment test and provision for the impairment loss

At the balance date, Company estimates the recoverable amounts of long-term investments of subsidiaries, joint-ventures and associated enterprise if there is an indication of possibility that impairment may occur. In the case that recoverable amount is less than book value then confirms impairment loss and account into current period's profit and loss. Also account provision for long-term investment impairment loss.

11. 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.

The Group makes a follow-up measurement to the investment in 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 Group are as follows:

Classification	Useful life (year)	The rate of salvage value (%)	Amortization rate (%)
Land use right	50		2.000
Buildings	40	3	2.425

The Group will review the useful life, the estimated salvage value and the amortization method of investment in real statement on each balance sheet date, and make an appropriate adjustment if necessary.

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

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

11. Investment in real estate (cont'd)

If an investment in 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 in real estate shall be terminated. When an enterprise sells, transfers or disposes of any investment in real estate, or when any investment in real estate of an enterprise is damaged or destroyed, the enterprise shall deduct the book value of the investment in real estate as well as the relevant taxes from the disposal income, and include the amount in the current profits and losses.

When the recoverable value of investment in real estate is lower than its book value, the carrying amount will be subject to the recoverable value. The impairment loss of investment in real estate shall not be reversed in subsequent accounting periods once confirmed.

12. Fixed assets

Fixed assets are defined by the Group 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 include buildings, machinery, transportation equipments, administrative equipments and others.

When economic benefit in relation to fixed assets can be probably flow into the Group and the corresponding cost can be measured reliably, the fixed assets shall be recognized. Purchased or newly-built fixed assets are initially measured at their acquisition cost. The cost of purchased fixed assets includes the purchasing price, import duty and other relevant taxes and expenses, as well as other expenditures attributable 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, as well as land separately recognized, the Group 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 Group are as follows:

Classification	Useful life (year)	The rate of salvage value (%)	Depreciation rate (%)
Building	40	3	2.425
Machinery	8-14	3	12.125-6.929
Transportation Equipment	8	3	12.125
Administrative equipments and others	8	3	12.125

The Group 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.

For the fixed assets of financial lease nature, if the ownership can be determined reasonably at the end of lease, then same depreciation method as other fixed assets will be adopted during the leased assets' useful life; if the ownership can't be determined reasonably at the end of lease, the same depreciation method as other fixed assets will be adopted for either useful life of the leased assets or lease term whichever is shorter.

The Group derecognizes fixed assets from the account which has been disposed or cannot generate economic benefits by application or disposal. 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.

When the recoverable value of fixed assets is lower than their book value, the carrying amount will be subject to the recoverable value. The impairment loss of fixed assets shall not be reversed in subsequent accounting periods once confirmed.

13. Construction in progress

Construction in progress 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 progress comprises the borrowing cost which can be capitalized and foreign exchange gains and losses.

Constructions in progress 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 completion of the project, the originally estimated cost of fixed assets will be adjusted on the basis of the actual cost.

When the recoverable value of construction in progress is lower than its book value, the carrying amount will be subject to the recoverable value. The impairment loss of construction in progress shall not be reversed in subsequent accounting periods once confirmed.

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

14. Borrowing cost

Borrowing cost includes interests from borrowing, amortization of discount or price premium, other attribute 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.

During capitalization period, exchange differences of specific foreign currency borrowing will be capitalized; exchange differences for general foreign currency borrowing will be accounted for the current period profit and loss.

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.

15. Intangible assets

The intangible assets of the Group include the land use right, patent technology and non-patent technology. Intangible assets 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. For the contract or agreement that failed to present fair value of intangible assets, intangible assets will be measured at the fair value.

For intangible assets with limited useful lives, the Group adopts straight line method at the month of acquisition. The Group 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 Group 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 Group 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 Group will estimate their useful life and amortize the intangible assets within the estimated lifetime.

When there is evidence to indicate impairment loss of intangible assets, Group will perform impairment test at the year end. For the intangible assets without certain useful life, Group will perform impairment test regardless whether there is evidence to indicate impairment loss.

16. 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.

Research expenses are accounted to the current period profit and loss when occurred.

Development expenses are treated as intangible assets when satisfy following requirements:

- 1) It is feasible to sell or use the intangible asset technically;
- 2) The intention is to sell or use the intangible asset;
- 3) The market is available for products from the intangible asset or the intangible asset itself.
- 4) The Group is capable of accomplishing the development of intangible asset by the supporting techniques, finance and other resources and of using or selling the intangible asset.
- 5) The expenditures on the research and development of the intangible asset can be measured reliably.

If the expenditures cannot meet the above criteria, they will be accounted into the profit and loss of the period. The expenditures expensed in previous accounting period cannot 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.

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

17. Impairment of non-financial assets

The Group makes the assessment on the long-term equity investment, fixed assets, construction in progress and intangible assets with useful life at each balance sheet date.

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 Group 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.

In the case of result of impairment test indicates book value of assets is greater than retrievable amount, then, the difference is recognized as impairment loss. Assts' retrievable amount is whichever is higher of either difference between fair value and disposal expense or the estimated future cash flow of assets. Asset's provision for impairment is calculated based on the single asset, if the recoverable amount of single asset is proved difficult to be recognized then the portfolio of which the single asset belonged to should be used as calculation base. The portfolio is the minimal combination of assets which can generate cash inflow independently.

Impairment test should be made for good will at least once a year regardless of whether there is indication of impairment loss. The book value of good will is distributed to assets portfolio or combination of assets portfolio which is expected to benefit from business combination agreement. Loss needs to be recognized when the result of the test indicates that recoverable value of asset portfolio or combination of asset portfolios which contains good will is lower than its book value. The provision of impairment amount is offset against the book value of distributed good will first, and then offset book value of other assets (assets that don't contain good will) based on the proportion of other assets of the asset portfolio or combination of asset portfolios.

The impairment loss of the above assets shall not be reversed in subsequent accounting periods once confirmed.

18. Long-term prepayments

The long-term prepaid expense of the Group 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 cannot benefit the later periods, the amortized price will be accounted into current profit and loss.

19. Employee compensation

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.

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 termination of the labor relationship with the employee with employees are accounted into current profit and loss.

For severance offered when Group decides to terminate employment contract prior its due date or to encourage employees to accept voluntary redundancy will be treated as estimated liability and accounted into current period profit and loss when Group has established formal lay-off plan or offered voluntary redundancy plan and Group can't withdraw the plan unilaterally.

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

20. 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 Group will recognize them as liabilities. The requirements mentioned above are as follows: The assumed responsibilities are actual and real. The fulfillment of obligations will cause the outflow of economic benefit from the Group. 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 Group assesses the book value of estimated liabilities on each balance sheet date and adjustments will be made if there are changes, in order to indicate the most appropriate estimation of obligations.

21. Revenue recognition principle

The revenue of the Group is mainly from selling goods, rendering services and allowing the use by others of company's assets. The criteria of reorganization are as follows:

- (1) The revenue from sale of goods shall be recognized, when main risks and rewards related to the ownership of goods have been transferred to buyers, and the Group doesn't hold continuing management rights or effective control rights of goods, and the relevant economic benefits may flow into the Group, and the amount of this relevant revenue can be measured reliably.
- (2) The revenue from rendering service will be recognized when the total income and cost of service can be measured reliable, relative economic benefits likely flow into the Group, and the percentage of completion of the service can be measured reliably.

At the balance sheet date, for the results of rendering service can be measured reliably, the relative income will be recognized in accordance of percentage-of-completion method. The percentage-of-completion is determined by finished work/percentage of service rendered of service promised to provide/cost occurred of total cost; For result of service rendered can't be measured reliably but the occurred labor cost is expected to be compensated, the relative income is determined by the occurred labor cost which is expected to be compensated and carry-forward occurred labor cost; For result of service rendered can't be measured reliably and the occurred labor cost is not expected to be compensated, the occurred labor cost is accounted into current period profit and loss and income is not recognized.

- (3) The revenue from the property alienation will be recognized, when the economic benefits related to transactions may flow into the Group, and the amount of this relevant revenue can be measured reliably.

22. Government subsidies

A government subsidy of the Group shall be recognized if the Group 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 Group 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 Group are accounted into current profit and loss directly.

When government subsidies is determined needed to return, the balance of deferred income is written-off and any exceeded portion is accounted into current profit and loss. If the returned subsidies doesn't constitute as deferred income then account into current profit and loss directly.

23. 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 Group recognizes the deferred tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to acquire and can be deducted from the deductible temporary difference. On the balance sheet date, deferred tax assets and deferred tax liability are measured at applicable tax rate.

The Group 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 Group 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.

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

23. Deferred tax assets and deferred tax liability *(cont'd)*

For deferred tax liabilities arising from deferred tax difference of subsidiaries and associated enterprise unless Group can control the time of reversal and the reversal is most likely not going to occur in the foreseeable future. For deductible deferred tax differences of subsidiaries and associated enterprise, when the temporary difference will be reversed in the foreseeable future and it is going to be used to set off tax payable of deductible temporary difference will be treated as deferred tax assets.

The deferred tax assets and liabilities satisfy following conditions is presented at net amount after set off:

- (1) The deferred tax assets and liabilities is relative to the income tax collected by same tax authority from the same taxable entity of the Group;
- (2) The Group's taxable entity has legal right to settle tax assets and liabilities at net amount.

24. Lease

The Group 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 Group 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 Group, as a lease holder, accounts the rents into current period by straight line method during the term of the lease. The Group, as a leaser, accounts the rental income into current period by straight line method during the term of the lease.

25. Income tax accounting

The Group recognizes income tax by balance sheet method. The income taxes of the current period and deferred income tax of the Group 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.

26. Accounting policies, estimate and errors

There is no change in the use of accounting policies, estimate and errors within the financial year

27. Significant accounting estimation and materiality judgment

The administration is responsible for making the judgments for the future uncertainty of the effects at the balance date. They are also responsible for the implementing for the hypothesis and uncertainty.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

V. TAXATION

1. The Main Taxation Category And Tax Rate

Category	Tax Base	Tax Rate (%)
VAT	Goods sale revenue	17
Business Tax	Taxable revenue	5
Urban Construction & Maintenance Tax	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

Enterprise income 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 Group was certified as High and New Technology Enterprise on 9 Oct 2011, and the certificate with No. GR200861000339 was jointly issued by Technology Office of Shaanxi Province, Financial Office of Shaanxi Province, National Taxation Bureau of Shaanxi Province, and Local Taxation Bureau of Shaanxi Province. The certificate is with three-year validation. By the approval of the certificate, Shaanxi Beiren applies 15% as the rate for enterprise income tax.

VI. CONSOLIDATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. Major subsidiaries

Unit: 10'000

Company	Nature	Registration Location	Business Type	Registered Capital (RMB0'000)	Operating Scope	Investment Amount (RMB0'000)	Accounts Balance of the Net Investment to the Subsidiary	Share-holding (%)	Voting Right (%)	Consolidated (Yes/Not)	Minority Interest	Balance after the Parent's Equity written-off the Current Loss Borne by Minority Shareholders	Amount for which is Written-off over the Income/ Loss in Borne of the Beginning Equity
Subsidiaries acquired under non-common control													
Shaanxi Beiren Printing Machinery Co., Ltd.	Limited company	Weinan City, Shaanxi Province	Manufacture	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	Manufacture	USD 510	Manufacture printing machine, selling self manufactured products	2,963.27	0.00	70.00	70.00	Yes	7,865,054.51	0.00	0.00
Beijing Beiren Jingyan Printing Machinery Factory	Joint stock company	Yanqing Country, Beijing City	Manufacture	2,105	Manufacturing printing machine and relevant components, providing relevant technical consulting services	2,100.00	0.00	99.76	99.76	Yes	14,022.85	0.00	0.00

2. The change of the scope of consolidated financial statements

There is no change in terms of consolidation scope during this period.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

VII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

Following disclosed financial Statement data, except for special indications, “the beginning of the year” refers to 1 January 2011, “the end of the period” refers to 31 December 2011, “this period” refers to the year from 1 January 2011 to 31 December 2011, “last period” refers to the year from 1 January 2010 to 31 December 2010, and the monetary unit is CHY.

1. Monetary fund

Item	31 Dec 2011			1 Jan 2011		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Cash on hand			10,449.33			9,019.13
Inc.CHY	10,377.07		10,377.07	8,946.73		8,946.73
USD				0.00		0.00
JPY	891.00	0.0811	72.26	890.97	0.0813	72.40
Cash in bank			156,581,299.04			110,496,366.22
Inc.CHY	155,947,530.11		155,947,530.11	107,491,207.80		107,491,207.80
USD	82,754.89	6.3009	521,430.30	431,376.52	6.6227	2,884,591.52
HKD	76,413.85	0.8107	61,948.71	76,402.21	0.8509	65,010.64
JPY	620,262.00	0.0811	50,305.11	663,946.00	0.0813	54,044.72
EUR	10.39	8.1625	84.81	0.26	8.8065	1,511.54
Other			5,274,602.69			8,537,623.16
CHY	5,274,602.69		5,274,602.69	8,537,623.16		8,537,623.16
Total	-	-	161,866,351.06	-	-	119,043,008.51

(1) As at 31 December 2011, the majority part of other monetary funds is bank acceptance notes guarantee.

(2) The increase of ending balance which is 35.97% more than last year, is mainly caused by the increase of bank loans, apart from the effects of operating activities.

2. Notes receivable

(1) Category

Category	31 Dec 2011	1 Jan 2011
Bank acceptance notes	20,263,400.00	35,414,560.16

(2) There are no notes which are used for collateral.

(3) There is no situation that the notes receivable are carried forward to accounts receivable because the notes drawers are incapable of notes fulfilment.

(4) Large Notes has endorsed to the other party but not yet due

Category	Issuing Company	Issuing date	Maturity date	Amount
Bank acceptance notes	Yiwu Desheng Stationery Co., LTD	2011-8-23	2012-2-23	1,200,000.00
Bank acceptance notes	Hunan Meitian Culture Co.,LTD	2011-10-27	2012-4-27	1,180,000.00
Bank acceptance notes	Changsha Kaicheng Paper Co., LTD	2011-8-17	2012-2-17	1,100,000.00
Bank acceptance notes	Xiamen Yuanfengda Commerce Co.,LTD	2011-11-28	2012-2-28	1,007,500.00
Bank acceptance notes	Jinhua Kaida Printing Machine Co., LTD	2011-11-23	2012-5-23	1,770,000.00
Total				6,257,500.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
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VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

3. Accounts receivable

(1) Classification for accounts receivable

Item	31 Dec 2011				1 Jan 2011			
	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	233,755,982.82	88.97	90,390,459.29	38.67	260,684,283.53	86.69	74,086,765.53	28.42
Individual receivables below significant level	28,993,358.87	11.03	8,389,076.01	28.93	40,020,404.03	13.31	23,506,925.47	58.74
Total	262,749,341.69	-	98,779,535.30	-	300,704,687.56	-	97,593,691.00	-

1) Individual receivables above significant level, or below significant level but had impairment test individually at the end of period

Company Name	Amount	Bad debts provision	Rate (%)	Reason for bad debts provision
Note 1	9,593,957.33	8,389,076.01	87.44	Difficult to collect
Note 2	19,399,401.54	0.00	0.00	
Total	28,993,358.87	8,389,076.01		

Note 1: A subtotal amount of RMB9,593,957.33 accounts receivable comprising 13 long-aged items, is judged as difficult to fully collect and the bad debts provision amounted RMB8,389,076.01 is made correspondingly by method of individual identification.

Note 2: Several long-term customers are in frequent transactions with the Group and adopt the order trade, hence those accounting receivable are in shorter age. There are 76 items of accounting receivables which amount to RMB19,399,401.54 and the provision of bad debts has not been made on them.

2) Individual receivables below significant level, but shows high level of risk in the light of credit risk characteristics combination (aging combination)

Item	31 Dec 2011			1 Jan 2011		
	Amount	Percent (%)	Provision of bad debts	Amount	Percent (%)	Provision of bad debts
Within 1 year	113,750,998.36	0.00	0.00	144,764,618.09	0.00	0.00
1-2 years	29,185,159.71	30.00	8,755,547.91	47,549,397.53	30.00	14,264,819.26
2-3 years	22,962,283.42	60.00	13,777,370.05	21,370,804.09	60.00	12,822,482.45
Above 3 years	67,857,541.33	100.00	67,857,541.33	46,999,463.82	100.00	46,999,463.82
Total	233,755,982.82	-	90,390,459.29	260,684,283.53	-	74,086,765.53

(2) There are no bad debts prepared during this period reversed or recovered.

(3) Accounts receivable written off during this period amounts to RMB373,273.62.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

3. Accounts receivable (cont'd)

(4) The accounts receivable balance details exclude shareholders who hold 5% or more of the Group's shares.

(5) The top five of accounts receivable:

Company Name	Relationship	Amount	Age	Receivable (%)
Zhongti(Beijing)Colour Printing Co., Ltd.	Customer	13,180,000.00	2-3 years	5.02
Suzhou Daily	Customer	7,618,800.00	Within 1 year	2.90
Linyi Daily	Customer	6,485,000.00	Within 1 year	2.47
3M special materials (Shanghai)	Customer	6,401,500.01	Within 1 year	2.44
Ningbo newspaper printing Co., LTD	Customer	5,340,000.00	1-2 years	2.03
Total	-	39,025,300.01	-	14.86

(6) There is no balance of accounts receivable from related parties at the end of the period.

(7) The balance of accounts receivable in foreign currencies :

Foreign currency	30 Dec 2011			1 Jan 2011		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange Rate	RMB
USD	611,033.00	6.3009	3,857,628.35	468,610.00	6.6227	3,103,463.45

4. Advance to suppliers

(1) Aging of advances to suppliers

Item	31 Dec 2011		1 Jan 2011	
	Amounts	Percentage %	Amounts	Percentage %
Within 1 year	28,554,361.99	94.59	19,026,250.35	96.17
1-2 years	1,370,283.53	4.54	254,948.99	1.29
2-3 years	5,445.02	0.02	311,020.32	1.57
Over 3 years	257,817.66	0.85	191,567.66	0.97
Total	30,187,908.20	100.00	19,783,787.32	100.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

4. Advances to suppliers (cont'd)

(2) The main units of advance to suppliers

Name	Relationship with the Company	Amount	Aging	Reasons for pending
Beigil Industry automate international trading (Shanghai) Co., LTD	company's suppliers	1,357,490.45	within a year	not completed
Shaanxi Chaoyu Casting Co., LTD	company's suppliers	1,356,000.00	within a year	not complete
Beijing Webco-Tech Development Co., LTD	company's suppliers	1,292,411.22	within a year	not completed
Rossini Trading (shenzhen) Limited	company's suppliers	1,039,319.00	within a year	not completed
Gao De Ke (Shanghai) Trading Co., Ltd.	company's suppliers	892,500.00	within a year	not completed
Total		5,937,720.67		

(3) The advance to suppliers balance details exclude shareholders who hold 5% or more of the Group's shares.

(4) The balance of advance to suppliers in foreign currencies :

Foreign currency	31 Dec 2011			1 Jan 2011		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange Rate	RMB
EUR	0.00		0.00	24,931.00	8.8065	215,586.76
JPY	1,530,000.00	0.0811	127,684.62	18,488,865.00	0.0813	1,468,909.98
Total			127,684.62			1,684,496.74

5. Dividends receivable

Items	1 Jan 2011	Increase	Decrease	31 Dec 2011
Within a year	0.00	113,600.00	0.00	113,600.00
Including : Beijing Beiyong Casting Co., LTD	0.00	113,600.00	0.00	113,600.00
Total	0.00	113,600.00	0.00	113,600.00

6. Other receivables

(1) Classification for other receivables

Item	31 Dec 2011				1 Jan 2011			
	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	32,212,079.45	100.00	14,628,104.14	45.41	33,286,493.07	100.00	15,016,800.50	45.11
Total	32,212,079.45	-	14,628,104.14	-	33,286,493.07	-	15,016,800.50	-

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

6. Other receivables (cont'd)

(2) Individual other receivables below significant level but individually accrued bad debts provision at the end of period

Company Name	Amount	Bad debts provision	Rate (%)	Reason for bad debts provision
Note 1	14,628,104.14	14,628,104.14	100.00	Expected difficult to collect
Note 2	17,583,975.31	0.00	0.00	
Total	32,212,079.45	14,628,104.14		

Note 1: The Group made provisions on 26 items of other receivables amounting to RMB14,628,104.14 which are in longer age and difficult to collect.

Note 2: For reservation fund of employees, receivables from China Huarong Asset Management Corporation Xi'an Branch for equity repurchasing, amounting to RMB17,583,975.31; there are no corresponding provisions for bad debts made.

(3) There are no bad debts prepared during this period reversed or recovered.

(4) Other receivables written-off during this period.

Company name	Nature	Write-off amount	reason	Whether caused by related transaction
Contracted debugging expense	debt	337,700.00	Impossible to draw back	No
Audit expense	debt	50,000.00	Impossible to draw back	No
others	debt	996.36	Impossible to draw back	No
Total		388,696.36		

(5) The details of other receivables balance exclude shareholders who hold 5% or more of the Group's shares.

(6) The top companies in other receivables:

Company Name	Relationship	Amount	Age	Proportion in accounts receivable (%)	Nature
Southeast Asia China Huarong Asset Management Corporation Xi'an Branch	Customer Minority shareholders of subsidiary	9,088,241.00 6,328,000.00	Above 3 years Above 3 years	28.21 19.64	Note1 Note 2
Total		15,416,241.00		47.85	

Note 1: Other receivables from Southeast Asia are investment money paid to Hong Kong Southeast Asia Group Investment & Development Co., Ltd in previous years. The Group has adapted active measures collecting those receivables. However, collection is difficult due to poor management of the above mentioned company. Therefore, the Group has prepared 100% provision for bad debts.

Note 2: Other receivables from China Huarong Asset Management Corporation Xi'an Branch are for equity repurchasing. China Huarong Asset Management Corporation acquired shares by debt-to-equity swap and could be able to quit by transferring, replacement or repurchasing in accordance with company rules of Shaanxi Beiren. The equity repurchasing 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) There is no amount receivable from related parties at the end of the year.

(8) The balance of other receivables in foreign currencies:

Foreign currency	Foreign currency	31 Dec 2011 Exchange Rate	Amount (RMB)	Foreign currency	1 Jan 2011 Exchange Rate	Amount (RMB)
HKD	10,305,296.52	0.8107	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 2011

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

7. Inventory

(1) Categories of inventory

Item	31 Dec 2011			1 Jan 2011		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	70,571,264.98	4,979,065.44	65,592,199.54	78,666,382.30	5,627,635.08	73,038,747.22
Work in progress	273,132,729.17	40,726,799.30	232,405,929.87	249,407,524.82	58,955,487.41	190,452,037.41
Finished goods	134,906,207.01	30,081,308.28	104,824,898.73	99,419,493.83	31,490,500.83	67,928,993.00
Low-value consumables	3,437,680.22	0.00	3,437,680.22	324,238.49	0.00	324,238.49
Self made semi-finished goods	8,843,882.62	0.00	8,843,882.62	11,047,041.76	0.00	11,047,041.76
Work in process -outsourced	7,677,263.21	0.00	7,677,263.21	6,837,235.21	0.00	6,837,235.21
Total	498,569,027.21	75,787,173.02	422,781,854.19	445,701,916.41	96,073,623.32	349,628,293.09

(2) Impairment provision for inventory

Item	1 Jan 2011	Increase	Decrease in this year		31 Dec 2011
			Reversal	Transferred out	
Raw materials	5,627,635.08	0.00	0.00	648,569.64	4,979,065.44
Work in progress	58,955,487.41	5,364,554.45	0.00	23,593,242.56	40,726,799.30
storage goods	31,490,500.83	3,461,251.55	0.00	4,870,444.10	30,081,308.28
Total	96,073,623.32	8,825,806.00	0.00	29,112,256.30	75,787,173.02

(3) The Group made much more efforts on selling those overstocked products this year. The amount of impairment provision prepared previously written-off for the reason of sales out, is RMB29,112,256.30.

The Group made impairment test on those unsold overstocked products and unfinished work in process during the year and prepared impairment provisions for inventory of RMB8,825,806

(4) The impairment provision method for inventory is referred to Note IV.9.

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

8. Long-term equity investments

(1) Categories of long-term equity investments

Item	31 Dec 2011	1 Jan 2011
Accounted in cost method	50,000.00	50,000.00
Accounted in equity method	15,660,364.86	15,567,084.36
Total	15,710,364.86	15,617,084.36
Less: provision for impairment on long-term equity investments	50,000.00	50,000.00
Net book value	15,660,364.86	15,567,084.36

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

8. 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 2011	Increase dividends	Decrease	Adjustment	Cash dividends for the year	31 Dec 2011
In cost method									
Ying Shen Associated Co., Ltd.			50,000.00	50,000.00	0.00	0.00	0.00	0.00	50,000.00
Sub-total			50,000.00	50,000.00	0.00	0.00	0.00	0.00	50,000.00
In equity method									
Beijing Monigraf Automations Co. Ltd.	49	49	3,675,000.00	8,957,839.15	0.00	0.00	14,084.28	0.00	8,971,923.43
Beijing Beiying Moulding Co., Ltd.	20	20	1,136,000.00	6,609,245.21	0.00	0.00	192,796.22	113,600.00	6,688,441.43
Beijing Mitsubishi Heavy Industries Co., Ltd.	49	49	22,540,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub-total			27,351,000.00	15,567,084.36	0.00	0.00	206,880.50	113,600.00	15,660,364.86
Total			27,401,000.00	15,617,084.36	0.00	0.00	206,880.50	113,600.00	15,710,364.86

(3) Investment in associated companies

Name of invested company	Nature	Registration	Legal Person	Business Type	Registered Capital	Share holding %	Voting right %
Associated Company							
Beijing Monigraf Automations Co. Ltd.	Limited liability	Beijing	Zhang Peiwu	The development/design/manufacturing/sale of printing machine ink control system, sales of print consumables and relative services r.t. self-made products	1,500.00	49.00	49.00
Beijing Beiying Casting Co. Ltd.	Limited liability	Beijing	Chen Changge	Processing and selling the standardized parts during the corresponding system	568	20.00	20.00
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	Joint venture	Beijing	Kong Dagang	Printing machine production and sales, as well as the technical services	4,600.00	49.00	49.00

(continued)

Items	Closing total assets	Closing total liabilities	Closing total net assets	Operating income of the year	Net profit of the year
Associated company					
Beijing Monigraf Automations Co. Ltd.	2,398.99	600.18	1,798.81	1,657.95	2.87
Beijing Beiying Casting Co. Ltd.	7,542.67	4,296.26	3,246.41	9,012.30	96.40
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	14.17	13.80	0.91	43.34	0.13
Total	9,956.37	4,910.24	5,046.13	10,713.59	99.40

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

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

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

Company	1 Jan 2011	Provision	Reduces in Period	31 Dec 2011	Reason
Ying Shen Associated Company Limited	50,000.00	0.00	0.00	50,000.00	expected to be difficult to recover

9. Investment in real estate

(1) Accounted in cost method

Item	1 Jan 2011	Increase	Decrease	31 Dec 2011
Original cost				
Buildings	7,986,177.80	0.00	0.00	7,986,177.80
Accumulated depreciation				
Buildings	1,058,844.87	188,237.16	0.00	1,247,082.03
Net book value				
Buildings	6,927,332.93	-	-	6,739,095.77
Impairment provision				
Buildings	0.00	0.00	0.00	0.00
Book value				
Buildings	6,927,332.93	-	-	6,739,095.77

10. Fixed assets

(1) Fixed assets category

Item	1 Jan 2011	Increase	Decrease	31 Dec 2011
Original Cost	1,091,717,861.11	6,325,170.39	27,958,940.76	1,070,084,090.74
Building	570,145,982.99	872,621.26	23,481,149.37	547,537,454.88
Machinery	457,357,874.82	3,179,246.55	3,519,610.89	457,017,510.48
Transportation facilities	13,857,023.18	2,161,610.46	958,180.50	15,060,453.14
Office equipment	48,882,090.65	111,692.12	0.00	48,993,782.77
Others	1,474,889.47	0.00	0.00	1,474,889.47
Accumulated Depreciation	503,164,679.52	34,066,842.75	14,643,585.78	522,587,936.49
Building	134,436,260.35	15,359,415.47	11,503,325.50	138,292,350.32
Machinery	320,499,277.71	14,855,919.23	2,486,403.20	332,868,793.74
Transportation facilities	8,071,878.31	1,298,332.90	653,857.08	8,716,354.13
Office equipment	39,602,924.66	2,337,695.34	0.00	41,940,620.00
Others	554,338.49	215,479.81	0.00	769,818.30
Net book value	588,553,181.59	-	-	547,496,154.25
Building	435,709,722.64	-	-	409,245,104.56
Machinery	136,858,597.11	-	-	124,148,716.74
Transportation facilities	5,785,144.87	-	-	6,344,099.01
Office equipment	9,279,165.99	-	-	7,053,162.77
others	920,550.98	-	-	705,071.17
impairment provision	20,498,612.67	0.00	0.00	20,498,612.67
Building	0.00	0.00	0.00	0.00
Machinery	20,383,612.67	0.00	0.00	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	568,054,568.92	-	-	526,997,541.58
Building	435,709,722.64	-	-	409,245,104.56
Machinery	116,474,984.44	-	-	103,765,104.07
Transportation facilities	5,670,144.87	-	-	6,229,099.01
Office equipment	9,279,165.99	-	-	7,053,162.77
Others	920,550.98	-	-	705,071.17

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

10. Fixed assets (cont'd)

(1) Fixed assets category (cont'd)

- 1) For the increase of the fixed assets of the period, the amount of RMB1,724,024.34 was transferred from construction in progress. Among the increase in accumulated depreciation, the depreciation of RMB34,066,842.75 accrued in the year.
- 2) The buildings, which are collateral to the bank as a short-term loan guarantee, are with the original cost of RMB8,533,337.00 and net book value of RMB7,505,193.62.
- 3) The decrease of the fixed assets is mainly due to the removal of the buildings with original cost of RMB23,445,149.37 and net book value of RMB14,863,316.97.

(2) There are no idle fixed assets at the end of the period.

(3) There is no financing lease of fixed assets of the Group.

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

Item	Book Value
Buildings	86,425,896.81

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

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

11. Construction in progress

Name	31 Dec 2011			1 Jan 2011		
	Book balance	provision	Book value	Book balance	provision	Book value
Construction	0.00	0.00	0.00	41,538.00	0.00	41,538.00
Equipments in installation	1,353,615.30	0.00	1,353,615.30	1,753,452.38	0.00	1,753,452.38
Others	1,825,679.60	0.00	1,825,679.60	1,150,099.73	0.00	1,150,099.73
Total	3,179,294.90	0.00	3,179,294.90	2,945,090.11	0.00	2,945,090.11

12. Intangible assets

Item	1 Jan 2011	Increase	Decrease	31 Dec 2011
Original Cost				
Land use right	127,643,801.77	0.00	0.00	127,643,801.77
Accumulated depreciation				
Land use right	21,135,875.90	2,487,609.62	0.00	23,623,485.52
Net book value				
Land use right	106,507,925.87			104,020,316.25
Impairment provision				
Land use right	0.00	0.00	0.00	0.00
Book value				
Land use right	106,507,925.87			104,020,316.25

(1) The increase of accumulated amortization of this year is RMB2,487,609.62.

(2) The land use right which is collateral to the bank as a guarantee for issuing bank acceptance notes, is with the original cost of RMB6,292,266.84 and with the net book value of RMB5,533,851.39.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

13. Long-term prepayments

Item	1 Jan 2011	Increase	Decrease	Other decrease	31 Dec 2011
The land development fee	9,367,320.00	0.00	0.00	0.00	9,367,320.00

14. Deferred tax asset and deferred tax liabilities

(1) Recognized Deferred tax asset

Item	31 Dec 2011	1 Jan 2011
Deferred tax asset		
Provision for assets	2,711,017.52	2,741,017.74

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

Items	31Dec 2011	1 Jan 2011
Asset impairment	191,669,974.91	210,949,275.81
Deductible loss	318,850,840.80	331,939,462.02
Total	510,520,815.71	542,888,737.83

Except for the subsidiary of the Company, Shaanxi Beiren Printing Machinery Company Limited which is earning profits stably, the Company as well as other subsidiaries are not stably profitable. The taxable profit against deductible loss in the estimated periods shall not be expected sufficient. Therefore, except for Shaanxi Beiren, all of other subsidiaries didn't recognize deferred income tax assets.

(3) Deductible loss unrecognized as deferred income tax assets will be expired in the following years:

Item	31 Dec 2011
2012	1,741,787.83
2013	133,813,242.84
2014	168,868,795.78
2015	12,192,889.89
2016	2,234,124.46
Total	318,850,840.80

(4) Details of deductible differences

Items	Amount
Closing balance	
Deductible differences	
Provision for bad debts	14,250,823.82
Provision for impairment of inventory	3,772,626.40
Provision for Impairment of long-term equity investment	50,000.00
Total	18,073,450.22
Opening balance	
Taxable differences	
Provision for bad debts	14,450,825.28
Provision for impairment of inventory	3,772,626.40
Provision for Impairment of long-term equity investment	50,000.00
Total	18,273,451.68

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

15. Provision for impairment of assets: (cont'd)

Current year

Item	1 Jan 2011	Increase	Decrease		31 Dec 2011
			Returning	Other transfers out	
Provision for bad debts	112,610,491.50	1,559,117.92	0.00	761,969.98	113,407,639.44
Provision for impairment of inventory	96,073,623.32	8,825,806.00	0.00	29,112,256.30	75,787,173.02
Provision for Impairment of long-term equity investment	50,000.00	0.00	0.00	0.00	50,000.00
Provision for Impairment of investment in real estate	0.00	0.00	0.00	0.00	0.00
Provision for Impairment of fixed assets	20,498,612.67	0.00	0.00	0.00	20,498,612.67
Provision for Impairment of construction materials	0.00	0.00	0.00	0.00	0.00
Provision for Impairment of construction in progress	0.00	0.00	0.00	0.00	0.00
Provision for Impairment of intangible assets	0.00	0.00	0.00	0.00	0.00
Total	229,232,727.49	10,384,923.92	0.00	29,874,226.28	209,743,425.13

Last year

Item	1 Jan 2010	Increase	Decrease		31 Dec 2010
			Returning	Other transfers out	
Provision for bad debts	105,457,800.70	17,801,906.92	1,161,100.00	9,488,116.12	112,610,491.50
Provision for impairment of inventory	107,984,018.15	57,468,651.99	0.00	69,379,046.82	96,073,623.32
Provision for Impairment of long-term equity investment	50,000.00	0.00	0.00	0.00	50,000.00
Provision for Impairment of investment in real estate	0.00	0.00	0.00	0.00	0.00
Provision for Impairment of fixed assets	20,885,338.91	0.00	0.00	386,726.24	20,498,612.67
Provision for Impairment of construction materials	0.00	0.00	0.00	0.00	0.00
Provision for Impairment of construction in progress	0.00	0.00	0.00	0.00	0.00
Provision for Impairment of 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

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

16. Short-term loans

Type	31 Dec 2011	1 Jan 2011
Secured loans	0.00	56,000,000.00
Guaranteed loans—due within one year	10,000,000.00	13,750,000.00
Unsecured loans—due within one year	210,000,000.00	70,000,000.00
Total	220,000,000.00	139,750,000.00

- (1) The guaranteed loans at the end of year, which is amounting to RMB 10,000,000.00, are the borrowings by the subsidiary Beiren Fuji Printing Machine Co., LTD. A six-month period loan of RMB 2,000,000 is guaranteed by Fuji Co., LTD and a one-year period loan of RMB 8,000,000 is guaranteed by the Company.
- (2) The unsecured loans at the end of year include a one-year period loan of RMB180 million borrowed by the Company from Bank of Beijing Jinyun Branch entrusted by Beijing National Capital Mechanical And Electrical Holding Company Limited, and a six-month period loan of RMB30 million borrowed by the Company from Beijing National Capital Mechanical And Electrical Holding Company Limited at an interest rate which shall not be higher than bank lending rates over the same period. By the end of the year, the Company has acquired the commitment from Beijing National Capital Mechanical And Electrical Holding Company Limited, that if there are any financial difficulties for the Company in the year of 2012, there will be financial support if necessary, and will not be a requirement for repaying borrowings in 2012 if the Company is incapable of repaying loans.

17. Notes payable

Type of note	31 Dec 2011	1 Jan 2011
Bank acceptance note	16,950,000.00	14,000,000.00

The amount of RMB16,950,000.00 will be matured in next financial year.

18. Accounts payable

(1) Accounts payable

Item	31 Dec 2011	1 Jan 2011
Within one year	217,624,921.19	212,843,946.16
1-2 years	27,901,330.06	72,149,481.34
2-3 years	17,902,351.80	6,665,506.43
Above 3 years	9,569,142.87	7,214,741.55
Total	272,997,745.92	298,873,675.48

- (2) The accounts payable balance details exclude shareholders who hold 5% or more of the Group's shares.

- (3) The balance of accounts payable in foreign currencies

Foreign Currency	31 Dec 2011			1 Jan 2011		
	YEN	Exchange rate	RMB	YEN	Exchange rate	RMB
JPY	0.00		0.00	1,583,910.04	0.08126	128,708.53

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

19. Advance from customers

(1) Advance from customers

Item	31 Dec 2011	1 Jan 2011
Within 1 year	73,375,205.41	85,365,922.85
more than 1 year	15,074,375.01	12,336,059.34
Total	88,449,580.42	97,701,982.19

Advance from customers which is more than 1 year, is caused by contracts which have not been fulfilled and the corresponding goods have not been fully delivered yet.

(2) The advance from customers balance details exclude shareholders who hold 5% or more of the Group's shares.

(3) The balance of the advance from customers in foreign currency:

Foreign Currency	31 Dec 2011			1 Jan 2011		
	USD	Exchange rate	RMB	USD	Exchange rate	RMB
USD	157,833.00	6.3009	1,108,530.81	797,049.88	6.6227	5,278,934.59
EUR	12,198.00	8.1625	107,449.86	12,198.00	8.8065	107,421.69
Total			1,215,980.67			5,386,356.28

20. Employee compensation

Item	1 Jan 2011	Increase	Decrease	31 Dec 2011
Salary (Including bonus and allowance)	3,117,680.84	121,191,330.34	120,108,913.27	4,200,097.91
Welfare	0.00	16,888,880.01	16,888,880.01	0.00
Social insurance	14,842,112.15	35,422,080.30	35,419,500.31	14,844,692.14
Including:				
medical insurance	4,759,935.15	12,588,629.77	13,082,958.19	4,265,606.73
Basic endowment insurance	10,042,235.99	20,170,021.24	20,208,277.15	10,003,980.08
Unemployment insurance	15,097.72	1,133,100.10	758,803.66	389,394.16
Industrial injury insurance	14,214.69	897,803.53	836,514.62	75,503.60
Fertility insurance	10,628.60	632,525.66	532,946.69	110,207.57
Housing fund	725,498.20	8,316,089.00	8,353,283.00	688,304.20
Labour union expenditure and employee education expenditure	2,594,836.97	2,996,118.94	3,360,521.20	2,230,434.71
Other welfare	0.00	11,604,700.61	11,604,700.61	0.00
Estimated expense for employee retirement in advance	28,753,816.98	17,099.00	11,858,573.43	16,912,342.55
Others	168,213.24	2,062,193.39	2,014,553.63	215,853.00
Total	50,202,158.38	198,498,491.59	209,608,925.46	39,091,724.51

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

21. Tax payable

Tax category	31 Dec 2011	1 Jan 2011
Value added tax	-5,876,913.92	6,444,557.76
Business tax	1,547,763.26	169,300.86
Enterprise income tax	0.00	-102,651.31
Individual tax	137,371.97	553,074.43
Urban maintenance and construction tax	-465,825.77	610,196.03
Property tax	0.00	-0.04
Land usage tax	0.00	47,136.18
Educational surcharge	-157,479.47	525,139.45
Stamp tax	87,690.59	5,730.12
Water conservancy fund	598,012.37	592,507.75
Total	-4,129,380.97	8,844,991.23

22. Interest payable

Items	31 Dec 2011	1 Jan 2011
Short-term borrowings interest payable	751,944.17	133,487.50

23. Other payables

(1) Other payables

Items	31 Dec 2011	1 Jan 2011
Include: within 1 year	19,759,384.51	31,191,053.23
1-2 years	5,410,191.34	1,350,038.84
2-3 years	124,116.43	210,151.64
3 years and above	16,067,801.47	16,213,072.63
Total	41,361,493.75	48,964,316.34

(2) Other payables to shareholders who hold 5% or more of the Group's share at the end of the period are as follow:

Items	31 Dec 2011	1 Jan 2011
Beiren Group Corporation	0.00	1,247,319.56

(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

Note 1: The payable to Beijing Beiyong Casting Co. Ltd. is the public land remise fund owed the local government where Beijing Casting located. As of 31 Dec 2011, the Company has not acquired the certificate of land use right in Daxing, Beijing, with an area of 92.126 acreage.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

24. Other current liabilities

Item	31 Dec 2011	1 Jan 2011
Interest discount of advanced flexo printing machine technology transformation project	115,673.98	115,673.98
Shaanxi Packaging & Printing Machinery Engineering Technology Research Centre	84,526.58	84,526.58
Relocation compensation	656,815.99	656,816.01
Other accrued expenses	1,400,000.00	1,049,600.00
Total	2,257,016.55	1,906,616.57

Other current liabilities accounts for government subsidy acquired in previous years relating to assets. During this year, deferred revenue recognized within a year, is reclassified from other non-current liabilities, with an amount of RMB857,016.55.

25. Long-term loan

Loan category	31 Dec 2011	1 Jan 2011
Guaranteed loans	0.00	18,000,000.00

The long-term loan was the loan of the Company's subsidiary Shaanxi Beiren Printing Machinery Company Limited for the purpose of technology reform of advanced packing print machine, which was guaranteed by Shaanxi Xinda Real Estate Development Co., Ltd., with a duration of five years. The loan has been fully repaid this year.

26. Specific payables

Item	1 Jan 2011	Increase	Decreases	31 Dec 2011	Notes
Medium newspaper printing machine core unit technology and half-way commercial product	4,575,809.19	175,605.39	0.00	4,751,414.58	Note 1
Folio single paper print machine series with multiple colours – new style 1050	5,042,999.52	187,315.45	0.00	5,230,314.97	Note 2
Digital single piece of paper split polychrome offset machine industry project	0.00	5,091,683.83	0.00	5,091,683.83	Note 3
Digital single piece of paper split polychrome offset machine industry project	0.00	10,900,000.00	0.00	10,900,000.00	Note 4
Wide satellite super-speed flexible printing machine industry project	0.00	3,300,000.00	114,347.70	3,185,652.30	Note 5
Relocation compensation	6,085,719.88	0.00	3,559,617.51	2,526,102.37	Note 6
Total	15,704,528.59	19,654,604.67	3,673,965.21	31,685,168.05	

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. It has not been returned within the period. Interest expense calculated on actual interest rate basis is recognized as financial expense this year.

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

26. Specific payables (cont'd)

Note 2: The Company and Beijing National Capital Mechanical And Electrical Holding Company Limited has signed "national capital holding strategy product and the technical research and development project funds support contract" on 24 June 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. It has not been returned within the period. 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 Beiren Fuji relocated its production area into factory area of the Company. Beiren Group Corporation paid Beiren Fuji RMB10,746,900 as relocation compensation. Up to 31 Dec 2010, there is relocation expenses RMB6,085,700 left unpaid.

Note 4: According to Beijing eco-tech Open Economic Zone department of finance JKCJ (2011) No. 86, JCJE (2011) No. 362 and government investment plan, subsidy Digital single piece of paper split polychrome offset machine industry project for RMB10,900,000.

Note 5: According to "The Adjustment Of Industry structure project investment plan within the budget in 2010" the subsidiary of the group, Shaanxi Beiren printing machine Co., LHC received RMB3,300,000 in the Wide satellite super-speed flexible printing machine industry project.

Note 6: During 2010, the Beiren Group issued RMB1,074,690,000 payments to Beiren Fuji as relocations compensations. By the year end, there is a RMB252,610,000 balance has not been paid.

27. Estimated liabilities

Item	1 Jan 2011	Increase	Decrease	31 Dec 2011
Employee Compensation for Dismission	592,807.38	0.00	25,200.00	567,607.38

The Company estimated employee injury compensation in comply with the court judgment in 2010. The decrease is the payment which is the optimum estimated number confirmed by discounting future cash flow out.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
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VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

28. Other non-current liabilities

Item	31 Dec 2011	1 Jan 2011
Relocation compensation	0.00	656,815.99
Interest discount of advanced flexo printing machine technology transformation project	462,695.93	578,369.91
Shaanxi Packaging & Printing Machinery Engineering Technology Research Centre	253,579.73	338,106.31
Total	716,275.66	1,573,292.21

(1) The government subsidies of RMB200,200.56, gained prior years relevant to assets are transferred into non-operating income in according to relevant regulations, and the closing balance is RMB916,476.22.

(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	462,695.93	115,673.98	115,673.98		
Shaanxi Packaging & Printing Machinery Engineering Technology Research Centre	253,579.73	84,526.58	84,526.58		
Total	716,275.66	200,200.56	200,200.56	-	-

29. Share capital

Unit: RMB'000

Shareholder's Name/Regimentation	1 Jan 2010		Current changes					31 Dec 2010	
	Amount	Ratio (%)	Issue new stock	Gifts share	accumulation 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

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

30. Capital reserve

Current year

Item	1 Jan 2011	Increase	Decrease	31 Dec 2011
Capital premium	517,305,478.93	0.00	0.00	517,305,478.93
Other capital reverse	5,572,298.94	0.00	0.00	5,572,298.94
Total	522,877,777.87	0.00	0.00	522,877,777.87

Last year

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 reverse	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

31. Surplus reserve

Current year

Item	1 Jan 2011	Increase	Decrease	31 Dec 2011
Statutory surplus reserve	43,172,707.88	0.00	0.00	43,172,707.88

Last year

Item	1 Jan 2011	Increase	Decrease	31 Dec 2011
Statutory surplus reserve	43,172,707.88	0.00	0.00	43,172,707.88

32. Undistributed profits

Current year

Item	Amount	%
Undistributed Profits at The Last period End	-243,051,077.92	
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	-243,051,077.92	
Add: net profit attributable to parent company this period	11,382,900.84	
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	-231,668,177.08	

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
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VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

32. Undistributed profits (cont'd)

Last year

Item	Amount	%
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	

33. Minority interest

Name of Subsidiary	Proportion of Minority Interest (%)	31 Dec 2011	1 Jan 2011
Beiren Fuji print machinery Co., Ltd.	30.00	7,865,054.51	7,251,866.64
Beijing Beiren Jingyan Print Machinery Factory	0.24	14,022.85	19,384.75
Shaanxi Beiren printing machinery Co., Ltd.	13.76	10,481,284.56	8,842,163.05
Total		18,360,361.92	16,113,414.44

34. Operating income and operating costs

Items	Jan-Dec 2011	Jan-Dec 2010
Main operating income	784,850,138.73	805,587,594.10
Other operating income	19,023,787.84	15,770,125.59
Total	803,873,926.57	821,357,719.69
Main operating costs	634,798,440.59	668,504,304.28
Other operating costs	5,376,341.12	7,259,034.63
Total	640,174,781.71	675,763,338.91

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

Item	Jan-Dec 2011		Jan-Dec 2010	
	Operating Income	Operating Costs	Operating Income	Operating Costs
Sales of hectograph machine	327,543,008.42	275,915,772.60	431,053,389.36	378,251,455.31
Sales of intaglio printing machine	363,587,203.39	282,445,229.50	299,370,754.59	226,786,556.05
Sales of form machinery	62,445,299.14	52,090,730.64	44,799,531.00	40,306,447.44
Sales of spares parts	22,937,152.71	17,743,461.15	26,471,764.45	20,200,475.04
others	8,337,475.07	6,603,246.70	3,892,154.70	2,959,370.44
Total	784,850,138.73	634,798,440.59	805,587,594.10	668,504,304.28

(2) The total sales income from the Company's top five clients is RMB98,426,495.73, accounted 12.54% of the total sales income of the period.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

35. Business tax

Items	2011	2010	Tax rate (%)
Business tax	2,860,469.24	603,620.86	Taxable income *5%/3%
Urban maintenance and construction tax	2,059,781.78	3,301,183.34	Turnover tax *5%/7%
Educational surcharge	1,030,245.72	1,416,299.43	Turnover tax *3%
Real estate tax	67,083.89	193,587.99	Original value of real estate 70% *1.2%
Land use fee	0.00	49,500.00	RMB3.00/m ² or RMB1.50/m ²
Total	6,017,580.63	5,564,191.62	

36. Sales expenses

Item	Jan-Dec 2011	Jan-Dec 2010
Salary	16,704,486.88	17,208,510.62
Exhibition fee	3,034,457.52	4,217,101.85
Travelling fee	5,350,125.63	5,251,933.04
Staff going abroad fee	144,492.02	608,632.41
Entertainment expenses	1,473,342.38	2,560,565.75
Transportation and commissioning fee	11,000,046.80	12,764,938.12
Office and administrative fee	5,008,066.00	4,076,347.22
Commissions	7,835,974.69	17,941,169.57
Warranty maintenance cost	9,085,854.95	8,376,547.88
Others	347,083.15	3,228,719.87
Total	59,983,930.02	76,234,466.33

The products of the Company's offset presses applies agent sales model, and other products is directly sold out by the Company. Because the sales of offset press declined this year, the commission and intermediary costs correspondingly declined either, so that the total sales expenses is 21% lower than the one last year.

37. Administration expenses

Item	Jan-Dec 2011	Jan-Dec 2010
Salary	44,386,569.90	45,671,738.71
Depreciation	10,849,279.46	12,790,104.36
Office and administrative fee	10,119,645.31	11,114,195.01
Amortisation of intangible assets	2,834,209.43	3,280,349.39
Entertainment and meetings fee	3,555,143.22	7,557,579.46
Tax expense	8,594,034.34	7,523,193.27
Agency fee	4,081,006.80	6,066,886.81
Research and development fee	18,095,333.88	24,317,416.63
Trademark usage fee	3,372,149.51	4,146,453.94
Allowance	257,834.31	272,111.93
Abandon loss	0.00	9,008,522.48
Others	2,872,258.92	3,069,071.09
Total	109,017,465.08	134,817,623.08

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

38. Financial expenses

Item	Jan-Dec 2011	Jan-Dec 2010
Interest payment	10,718,000.05	18,022,224.89
less: Interest income	867,005.58	773,251.36
Add: exchange loss	-56,760.49	-243,969.09
Add: other payment	-1,856,683.68	1,038,289.64
Total	7,937,550.30	18,043,294.08

The amount of financial expense is reduced by 56% because of the reduced amount of borrowings and interest expense.

39. Impairment loss of assets

Item	Jan-Dec 2011	Jan-Dec 2010
Bad debt loss	1,559,117.92	16,640,806.92
Impairment loss on inventory	8,825,806.00	57,468,651.99
Total	10,384,923.92	74,109,458.91

The bad debt loss is decreased by 91%, compare with the amount of last year. The main reason is that the long period of age accounts increase from three years to three years above. According to the group policy, there is a full bad debts provision for 2010.

Impairment loss on inventory reduced 85% compare to the amount of last year. The main reason is the reduction in inventory by accelerating the sales. At the same time, the group controls the scale of the new project, which makes the costs is higher than net realized value.

40. Investment income

1) Resources of investment income

Item	Jan-Dec 2011	Jan-Dec 2010
Equity method of accounting for long-term equity investment income	206,880.50	466,489.04
Investment income of disposal of long-term equity investment	0.00	172,039,266.78
Total	206,880.50	172,505,755.82

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

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

Item	Jan-Dec 2011	Jan-Dec 2010	Reason of changes
Total	206,880.50	466,489.04	
Including:			
Beijing Beiyong Casting Company Limited	192,796.22	387,862.90	Reduce of profit
Beijing Monigraf Automations Co., Ltd.	14,084.28	78,626.14	Reduce of profit

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(Prepared under PRC accounting standards)
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VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

41. Non-operating income (1) Non-Operating Income

Item	Jan-Dec 2011	Jan-Dec 2010	Accounted into non-operating gains and loss
Gains from non-current capital disposal	16,142,272.05	4,776,650.21	16,142,272.05
Among which: Gains from fixed assets	16,142,272.05	4,776,650.21	16,142,272.05
Government subsidy	2,615,267.06	9,675,745.75	2,615,267.06
Gain of debt restructure	96,281.69	1,583,495.15	96,281.69
Other	25,548,454.83	730,394.55	25,548,454.83
Total	44,402,275.63	16,766,285.66	44,402,275.63

According to the Housing Reform Office of the Beijing Municipal People's Government of Beijing Housing Reform Office document [2009] No. 162, and the Beijing Municipal Development and Reform Commission, Beijing Development and Reform Commission document [2011] No. 831, the buildings on the project location were required to be removed.

By the compensation agreement signed between the Company and Collectively Building House Office, based on the real estate appraisal report "Shou Pingfang (2011) No. 2223-1" issued by Beijing First Good Real Estate Appraisal Co. Ltd., the compensation for relocation and resettlement gained by the Company is RMB49.90 million. After all clearance by the Company, the gains generated are RMB37.93 million, including the gains from disposal of non-current assets, of RMB16.08 million and the compensation for suspending production of RMB21.85 million.

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

Item	Jan-Dec 2011	Jan-Dec 2010	Reasons
Medium and small enterprise development fund in Weinan	1,000,000.00	0.00	SCBQ (2011) No. 80 (transferred from other receivable)
Shannxi province finance department technology research and development funds 2010	750,000.00	0.00	WCBY (2010) No. 233 (transferred from other receivables)
Enterprise technology innovation and creation of famous brand in 2010	500,000.00	0.00	WCBJ (2010) No. 65 (transferred from other receivables)
Interest discount of advanced printing machine technology transformation project	115,673.98	138,808.78	SFGTZ (2006) No. 1278 (transferred deferred P&L)
Weinan International market development funds	90,042.00	0.00	Government funds payment
Shaanxi Packaging & Printing Machinery Engineering Technical Research Centre	84,526.58	0.00	YZZZ (2009) No. 25 (transferred deferred P&L)
subsidy for pay tax corporations 2010	50,000.00	0.00	WCBY (2011) No. 38
Unemployment subsidy	0.00	1,336,620.00	WLF (2010) No. 63
Shaanxi Beiren concave cigarette sectional online technique transform project	0.00	550,000.00	SCBQZ (2009) No. 92 (transferred from other payable)
SME development funds	0.00	122,000.00	Department of finance in Weinan
Patent application subsidy	0.00	8,000.00	Intellectual property in Shannxi province
Subsidy for rural migrant workers	4,024.50	4,024.50	Chaoyang district department of finance national treasury centre

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
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VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

41. Non-operating income (cont'd)

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

Item	Jan-Dec 2011	Jan-Dec 2010	Reasons
Subsidy for disable workers	10,000.00	0.00	Chaoyang district disable association
Stable employment career subsidy and social insurance subsidy	0.00	402,714.81	employment subsidy and social insurance subsidy from Beijing Human Resources and Social Security Bureau
Subsidy for disable workers	11,000.00	0.00	Yanqing disable association
Subsidy for Stable employment	0.00	116,832.83	JRSFF (2010) No. 171 Reply on payment on employment subsidy and social insurance subsidy from Beijing Human Resources and Social Security Bureau
Subsidy for Stable employment	0.00	155,777.10	JRSFF (2010) No. 825 Reply on payment on employment subsidy and social insurance subsidy from Beijing Human Resources and Social Security Bureau
Subsidy for disposal of yellow-labelled vehicle	0.00	5,000.00	yellow-labelled vehicle table
Employment subsidy endowed by Capital Beijing Electrical Holdings Co., Ltd.	0.00	703,001.06	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.	0.00	1,336,097.31	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	0.00	2,331,907.82	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	0.00	3,708,800.88	YZZZ (2009) No. 025 Document (transferred from other payables)
Refund of Beijing Economic Technology Development Zone Social Insurance Fund Management Center	0.00	-1,390,316.34	BJETD (0019)
Subsidy from Beijing Commerce Committee	0.00	64,031.00	
Subsidy from Beijing Commerce Committee	0.00	82,446.00	
Total	2,615,267.06	9,675,745.75	

42. Non-operating expenses

Item	Jan-Dec 2011	Jan-Dec 2010	Accounted into non-operating gains and loss
Loss from non-currency asset disposal	1,183,716.93	496,899.73	1,183,716.93
Among which: Loss from fixed assets	1,183,716.93	496,899.73	1,183,716.93
Loss compensation	0.00	325,915.40	0.00
others	123,285.57	304,995.70	123,285.57
Total	1,307,002.50	1,127,810.83	1,307,002.50

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
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VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

43. Income tax expense

Item	Jan-Dec 2011	Jan-Dec 2010
Income tax for current year	0.00	0.00
Deferred tax expenses	30,000.22	5,499,059.02
Total	30,000.22	5,499,059.02

44. The calculating procedure of basic EPS and diluted EPS

Items	Number	2011	2010
Net profit for equity holders of the Company	1	11,382,900.84	22,279,381.53
Net profit of extraordinary items for equity holders of the Company	2	42,235,976.21	188,282,171.29
Net profit for equity holders of the Company after extraordinary items	3=1-2	-30,853,075.37	-166,002,789.76
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	0.03	0.05
Basic earning per share (II)	14=3÷12	-0.07	-0.39
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)	0.03	0.05
Diluted earning per share (II)	19=[3+(15-16)×(1-17)]÷(12+18)	-0.07	-0.39

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
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VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

45. Cash flow

(1) Received/paid cash relevant with the activities of other management/investment/financing

1) Other cash received related to operation activity

Item	Jan-Dec 2011
Received from Beiren Group	21,845,774.00
Received Financial project funding	20,810,800.00
Government subsidy	2,286,666.50
Guarantee payment	5,304,092.44
Payment refunds	2,976,738.47
Receive social insurances from social insurance bureau	1,335,238.58
Maintain fees	901,347.59
Interest income	867,005.58
Lease expense	773,181.70
Research issue fees	230,000.00
Sales of materials and disposal of old and obsolete materials	235,085.06
Others	602,284.06
Total	58,168,213.98

2) Other cash payment related to operation activity

Item	Jan-Dec 2011
Office, conference and travelling fee	16,876,603.18
Installation& Commissioning fee	17,460,877.09
Guarantee	5,853,474.44
Trademark usage fee	4,619,469.07
Agency fee	3,693,146.75
others	3,636,081.42
Advertising and exhibition fee	2,275,584.98
Total	54,415,236.93

3) Cash paid related to other funding raising activity

Item	Jan-Dec 2011
Bank of bill	5,274,602.69
Commercial bank financing guarantee	137,800.00
Total	5,412,402.69

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
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VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

45. **Cash flow** (cont'd)

(2) **Supplement information of consolidated cash flow statement**

Item	2011	2010
1. Cash flow from operating activities		
Net profit	13,629,848.32	19,470,518.39
Add: Provision on the impairment of assets	10,384,923.92	74,109,458.91
Depreciation of fixed asset	34,255,079.91	37,067,343.03
Amortization of intangible asset	2,487,609.62	2,722,453.18
Amortization of long-term prepaid expenses	0.00	44,000.00
Loss from disposal on fixed asset, intangible assets, and other long term asset ("-" if revenue)	-14,958,555.12	-4,279,750.48
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)	10,718,000.05	18,022,224.89
Loss from investment ("-" if revenue)	-206,880.50	-172,505,755.82
Decrease in deferred tax assets ("-" if increase)	30,000.22	5,499,059.02
Increase in deferred tax liability ("-" if decrease)	0.00	0.00
Decrease in inventory ("-" if increase)	-52,867,110.80	151,586,134.38
Decrease of account receivable ("-" if increase)	43,776,798.77	37,083,196.80
Increase of account payable ("-" if decrease)	-68,147,843.45	-163,010,977.21
Others	0.00	709,500.18
Net cash flow from operating activity	-20,898,129.06	6,517,405.27
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	156,591,748.37	110,505,385.35
Less: opening balance of cash	110,505,385.35	111,849,650.31
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	46,086,363.02	-1,344,264.96

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
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VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

45. Cash flow (cont'd)

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

Item	2011	2010
Relevant information of disposed subsidiaries and other business units		
1. Price of disposed subsidiary and other business units	0.00	199,849,670.99
2. Disposal of subsidiaries and other business units received in cash and cash equivalents	0.00	199,849,670.99
Less: subsidiaries and other business units held cash and cash equivalents	0.00	6,109,588.91
3. Net cash receipts from disposal of subsidiaries and other business units	0.00	193,740,082.08
4. Disposal of subsidiaries' net asset	0.00	32,791,218.08
Current assets	0.00	76,409,077.07
Non-current assets	0.00	45,678,989.57
Current liabilities	0.00	89,296,848.56
Non-current liabilities	0.00	0.00

(4) Cash and cash equivalents

Item	31 Dec 2011	31 Dec 2010
Cash	156,591,748.37	110,505,385.35
Including: cash on hand	10,449.33	9,019.13
Bank deposit available to make payments	156,581,299.04	110,496,366.22
Cash equivalents	0.00	0.00
Cash and cash equivalents at the end of the year	156,591,748.37	110,505,385.35
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)
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VIII. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

1. Related parties relationship

(1) Parent companies and ultimate controlling parties

1) Parent companies and ultimate controlling parties

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

2) Registered capital (RMB0,000) 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

3) Shareholding of parent company

Name	Amount of Shareholding		Percentage of Shareholding (%)	
	31 Dec 2011	1 Jan 2011	31 Dec 2010	1 Jan 2010
Beiren Group Corporation	20,162.00	20,162.00	47.78	47.78

(2) Subsidiaries

1) Subsidiaries

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

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

(2) Subsidiaries *(cont'd)*

2) Registered capital of subsidiaries and changes

Name	1 Jan 2011	Increase	Decrease	31 Dec 2011
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

3) Shareholding

Name	Amount of Shareholding		Percentage of Shareholding (%)	
	31 Dec 2011	1 Jan 2011	31 Dec 2011	1 Jan 2011
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 (RMB0,000)	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
Under the same parent company	Beijing Jingcheng Industry Logistics Co.,Ltd	Goods purchase	101628956

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

2. Related-party transactions

(1) Purchase of goods or accepting service

Name	Jan-Dec 2011		Jan-Dec 2010	
	Amount	Percent (%)	Amount	Percent (%)
Parent company				
Beiren Corporation Group	3,372,149.51	100.00	4,146,453.94	100.00
Beiren Corporation Group	40,349.64	0.00	0.00	0.00
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	2,649,572.64	2.21	2,832,527.06	1.89
Beijing Beiyong Casting Co. Ltd.	15,420,400.94	12.89	20,368,769.36	13.58
Beijing Monigraf Automations Co. Ltd.	14,452,580.64	12.08	11,522,473.14	7.68
Under the same parent company				
Beijing Jingcheng Industry Logistics Co.,Ltd	16,732,427.11	13.98	0.00	0.00
Total	52,667,480.48	—	38,870,223.50	—

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

(2) Sales of goods

Name	Jan-Dec 2011		Jan-Dec 2010	
	Amount	Percent (%)	Amount	Percent (%)
Parent company				
Beiren Corporation Group	0.00	0.00	230,615.33	0.01
Beiren Corporation Group	29,802.38	1.56	138,811.91	11.57
Associated companies				
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co.	117,634.92	6.16	498,213.15	41.52
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co.	13,092,177.40	3.42	0.00	0.00
Beijing Monigraf Automations Co. Ltd.	20,216.50	1.06	0.00	0.00
Under the same parent company				
Haimen	917.08	0.00	0.00	0.00
Global Industrial Supply Co., Ltd.	6,443,187.38	28.09	0.00	0.00
Total	19,703,935.66		867,640.39	

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

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

2. Related-party transactions *(cont'd)* (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	2,824,512.60	Agreement price
The Company	Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co.	housing	1 July 2007	30 June 2015	3,021,361.65	Agreement price
The Company	Beijing Monigraf Automations Co. Ltd.	housing	31 Jan 2010	31 Dec 2010	100,662.00	Agreement price
The Company	Beiren Corporation Group	housing	31 Jan 2010	31 Dec 2010	715,103.63	Agreement price
The Beiren Group	The company	land	01 Jan 2011	31 Dec 2011	715,103.63	Agreement price

(4) Entrust loans with related parties

Name of related party	Amount	Starting date	Expiration date	Note
Beijing National Capital Mechanical And Electrical Holding Company Limited	35,500,000.00	2011.2.28	2012.2.28	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	55,000,000.00	2011.3.22	2011.3.22	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	44,500,000.00	2011.3.28	2012.3.28	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	45,000,000.00	2010.9.16	2011.9.15	See VII. 16

(5) Lends with related parties

Name of related party	Amount	Starting date	Expiration date	Note
Beijing National Capital Mechanical And Electrical Holding Company Limited	30,000,000.00	2011.10.13	2012.4.13	See VII. 16

(6) Key administration staff salary

	Jan-Dec 2011	Jan-Dec 2010
Key administration staff salary	4,081,775.76	1,759,185.46

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

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

(6) Key administration staff salary *(cont'd)*

Item	Jan-Dec 2011	Jan-Dec 2010
Fees	299,135.00	315,000.00
Salaries and other benefits	3,689,707.00	1,370,392.90
Retirement benefits scheme contributions	92,933.76	73,792.56
Total emoluments	4,081,775.76	1,759,185.46

The emoluments of key administration staff are analysed as follows:

Name and Post	Jan-Dec 2011			Total emoluments
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors:				
Zhao Guo-Rong (Resigned on 12 December 2012)	0.00	0.00	0.00	0.00
Zhang Pei-Wu	90,440.00	634,293.75	11,980.80	736,714.55
Duan Yuan-Gang (Resigned on 27 September 2011)	48,695.00	538,270.94	8,956.08	595,922.02
Non-executive directors:				
Teng Ming-Zhi (Appointed on 18 May 2011)	0.00	0.00	0.00	0.00
Li Sheng-Gao (Appointed on 18 May 2011)	0.00	0.00	0.00	0.00
Wei Li (Appointed on 18 May 2011)	0.00	0.00	0.00	0.00
Wang bei (Resigned on 27 September 2011)	0.00	0.00	0.00	0.00
Independent non-executive directors:				
Xu Wen-Cai	40,000.00	0.00	0.00	40,000.00
Wang Hui	40,000.00	0.00	0.00	40,000.00
Xie Bing-Guang	40,000.00	0.00	0.00	40,000.00
Wang De-Yu	40,000.00	0.00	0.00	40,000.00
Supervisors:				
Wang Lian-Sheng	0.00	555,321.26	11,131.68	566,452.94
Guo Xuan	0.00	212,416.75	11,980.80	224,397.55
Wang Hui-Ling (Appointed on 18 May 2011)	0.00	186,254.24	9,917.28	196,171.52
Other key management				
Jiao Rui-Fang (Board Of Directors Secretary)		557,978.75	11,980.80	569,959.55
Kong Da-Gang (Associate Manager)		560,378.75	11,980.80	572,359.55
Cheng Chang-ge (Associate Manager)		406,295.75	11,980.80	418,276.55
Jiang Chi (Total Accountant) (Appointed on 27 October 2011)		38,496.81	3,024.72	41,521.53
	299,135.00	3,689,707.00	92,933.76	4,081,775.76

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

2. Related-party transactions *(cont'd)* (6) Key administration staff salary *(cont'd)*

Name and Post	Fees	Jan-Dec 2010		Total emoluments
		Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors:				
Yang Zhen-Dong (Resigned on 21 September 2010)	0.00	0.00	0.00	0.00
Zhang Pei-Wu	90,340.00	238,823.72	11,402.64	340,566.36
Duan Yuan-Gang	64,660.00	177,753.72	11,402.64	253,816.36
Pang Lian-Dong (Resigned on 2 June 2010)	0.00	0.00	0.00	0.00
Non-executive directors:				
Bai Fan (Resigned on 21 September 2010)	0.00	0.00	0.00	0.00
Zhao Guo-Rong	0.00	0.00	0.00	0.00
Independent non-executive directors:				
Xu Wen-Cai	40,000.00	0.00	0.00	40,000.00
Wang Hui	40,000.00	0.00	0.00	40,000.00
Xie Bing-Guang	40,000.00	0.00	0.00	40,000.00
Wang De-Yu	40,000.00	0.00	0.00	40,000.00
Supervisors:				
Guo Xuan		188,418.62	10,206.00	198,624.62
Shao Zhen-Jiang		0.00	0.00	0.00
Wang Lian-Sheng		159,886.66	7,355.04	167,241.70
Other key management				
Jiao Rui-Fang (Board Of Directors Secretary)		239,433.72	11,402.64	250,836.36
Kong Da-Gang (Associate Manager)		235,447.72	11,402.64	246,850.36
Cheng Chang-ge (Associate Manager)		130,628.74	10,620.96	141,249.70
Total	315,000.00	1,370,392.90	73,792.56	1,759,185.46

No emoluments were paid by the Group to the key management of the Company 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 2011. No key management waived any emolument for the two years ended 31 December 2011.

(7) Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, all (2010: five) were members of key management of the Company whose emoluments are included in the disclosures in note (6) above.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

VIII. 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 2011		1 Jan 2011	
	Amount	Bad debts	Amount	Bad debts
Associated companies				
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	0.00	0.00	1,793,559.08	0.00
Company under common control				
Haimen Beiren Fuji Printing Machinery Company Limited	0.00	0.00	232,896.78	0.00
Total	0.00	0.00	2,026,455.86	0.00
Less bad debts provisions	0.00		0.00	
Total	0.00	0.00	2,026,455.86	0.00

(2) Others receivable of related parties

Item	31 Dec 2011		1 Jan 2011	
	Amount	Bad debts	Amount	Bad debts
Parent Company				
Beiren Corporation Group	0.00	0.00	1,629,191.08	0.00
Associated companies				
Beijing Monigraf Automations Co. Ltd.	0.00	0.00	150,993.00	0.00
Company under common control				
Haimen Beiren Fuji Printing Machinery Company Limited	0.00	0.00	145,832.93	0.00
Total	0.00	0.00	1,926,017.01	0.00

(3) Accounts payables of related parties

Item	31 Dec 2011	1 Jan 2011
	Associated companies	
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	0.00	20,651,316.66
Beijing Monigraf Automations Co. Ltd.	9,549,820.51	3,470,983.15
Beijing Beiyong Casting Co. Ltd.	2,394,628.29	2,000,000.00
Company under common control		
Beijing Jingcheng Industry Logistics Co.,Ltd	11,029,499.55	2,627,539.82
Total	22,973,948.35	28,749,839.63

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

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

3. Balance of related-party transactions *(cont'd)*

(4) Others payables of related parties

Item	31 Dec 2011	1 Jan 2011
Parent company Beiren Corporation Group	0.00	1,247,319.56

(5) Entrusted loans with related parties

Related party	31 Dec 2011	1 Jan 2011
Parent company Beijing National Capital Mechanical and Electrical Holding Company Limited	180,000,000.00	70,000,000.00

(6) Specific payables

Item	31 Dec 2011	1 Jan 2011
Parent company Beijing National Capital Mechanical and Electrical Holding Company Limited	15,073,413.38	9,618,808.71

IX. SHARE-BASED PAYMENT

As of 31 Dec 2011, the Group has no share-based payment

X. CONTINGENCIES

As of 31 Dec 2010, there is no other significant contingent event for the Group in the current accounting period.

XI. MATTERS OF MAJOR COMMITMENTS

1. 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 31 Dec 2011, the company has no other significant issues happened besides for these commitments above.

XII. 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 in 08/03/2011, 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 did not handle the cancellation by 31/12/2011.
2. Except for the above-mentioned event, there are no other significant events after the balance date.

XIII. SEGMENT INFORMATION

More than 90% of the revenues and profits of the company from domestic manufacture and sale of the presses, so the company's management consider there is no need for the Segment Information.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

XIV. OTHER SIGNIFICANT EVENTS

1. Non-currency assets exchange

As of 31 December 2011, there was no non-currency assets exchange that needed to be disclosed by the Company.

2. Debt restructure

As of December 31, 2011, the company has no debt restructure happened.

3. Leasing

(1) Operating leased assets (Operating lease)

Types of Operating leased assets	31 Dec 2011	31 Dec 2010
Land	16,306,302.56	16,674,806.38
Housing and Building	86,425,896.81	94,948,721.94
Total	102,732,199.37	111,623,528.32

XV. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The main financial instruments adopted by the Group include money market instruments, accounts receivables, accounts payments, financial assets and liabilities. (see notes 5) The nature of these financial instruments and the related financial risk management policies are disclosed as following:

1 Financial risk management target and policy

(1) Market risk management

1) Foreign exchange risk management

Foreign exchange risk describes the risk of variation in the rate of exchange used. The group exposed to USD, as the subsidiaries adopt USD in the purchases and sales, but other operating activities adopt RMB.

Except for the following USD cash balance, ED and HKD in assets and liabilities, the Group adopts RMB cash balance in assets and liabilities. The Group is exposed to the foreign currency cash balances in assets and liabilities.

Item	31/12/2011		01/01/2011	
	Foreign currency	RMB	Foreign currency	RMB
Cash		633,841.19		3,005,230.82
USD	82,754.89	521,430.30	431,376.52	2,884,591.52
EUR	10.39	84.81	0.26	1,511.54
JPY	621,153.00	50,377.37	664,836.97	54,117.12
HKD	76,413.85	61,948.71	76,402.21	65,010.64
Accounts receivables		3,857,628.35		3,103,463.45
USD	611,033.00	3,857,628.35	468,610.00	3,103,463.45
Other Accounts receivables		9,088,241.00		9,088,241.00
HKD	10,305,296.52	9,088,241.00	10,305,296.52	9,088,241.00
Prepayments		127,684.62		1,684,496.74
EUR	0.00	0.00	24,931.00	215,586.76
JPY	1,530,000.00	127,684.62	18,488,865.00	1,468,909.98
Accounts payables		0.00		128,708.53
JPY	0.00	0.00	1,583,910.04	128,708.53
Received in advance		1,215,980.67		5,386,356.28
USD	157,833.00	1,108,530.81	797,049.88	5,278,934.59
EUR	12,198.00	107,449.86	12,198.00	107,421.69
TOTAL		14,923,375.83		22,396,496.82

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

XV. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(cont'd)*

1. Financial risk management target and policy *(cont'd)*

(1) Market risk management *(cont'd)*

1) Foreign exchange risk management *(cont'd)*

The Group concern the risk exposed by the movements in foreign exchange rate. At this stage the group does not adopt any implementing strategies to avoid the risk as the amount of foreign currency cash balance is small, and day-to-day foreign currency expense are related to H share-based payments, ASX and newspapers and periodicals fees. The movement could not significantly influence the operating.

2) Interest rate risk management

Fixed interest rate is adopted by the Group.

(2) Credit risk management

By the year end, the credit risk exposed to the Group is another party in a transaction will not be able to meet its financial obligations, which includes:

Financial assets balance in the consolidated balance sheet reflects the possibility of the risk. The possibility of the risk follows the movements of the fair value in the future.

In order to reduce the credit risk, the group established a team, who is then responsible for determining the credit level, examine and approve the credit level, and performance implementing procedures to assure the recover the financial claim. Besides, the group examines the single accounts receivables at the each balance day, to ensure the level of bad debts provisions. Therefore, the corporate governance states that the level of credit risk that exposed to the group is reduced.

The cash and cash equivalent are deposit in the high credit level banks, therefore the credit risk level of current assets is low.

There is no significant credit risk as the risk spreads on number of parties and clients. At the year end, 1.55% (4.61%, last year) and 4.79% (5.94%, last year) of accounts receivables are generated by the largest client and the top five clients of the group.

(3) Cash flow risk management

The corporation governance states that the sufficient amount of cash and cash equivalent can reduce the effect of cash flow movements. The administration is responsible of monitoring the borrowings and following the agreements.

The borrowings from banks are the main resource of cash. By the end of this year, the borrowing limit is amounting to RMB54,050,000, while at the beginning of the year is RMB178,250,000.

2. Fair value

The determination of the fair value of financial assets and liabilities are described as follows:

The fair value of financial assets and liabilities, which has standard clause and active market, refers to the market price.

The fair value of other financial assets and liabilities (exclude derivatives) refers to present value of future cash flow or to observe current market price.

The fair value of the derivatives refers to the active market price.

3. Sensibility analysis

The group adopts the sensibility analysis technique to analyze the rational and possible effects to the profit and loss or equity. The movements of risk variable are not isolated, and the relevancy between risk variables could largely influence the balance. Therefore, the assumptions are determined under the movements of risk variable are isolated.

(1) Foreign exchange risk sensibility analysis

Foreign exchange risk sensibility analysis hypothesis: all the foreign operations and investments and cash flows are highly effective.

The reasonable movements of USD, HKD AND ED exchange rates can lightly influence the current profit and loss and equity.

(2) Interest rate risk sensibility analysis

The group adopts the fixed interest rate for the borrowings. The movements of interest rate do not affect current profit and loss.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

XVI. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT

1. Account receivable

(1) Classification for accounts receivables

Items	31 Dec 2011				31 Dec 2010			
	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	170,634,781.65	91.78	77,482,252.50	45.41	220,187,730.53	92.94	74,086,765.53	33.65
Individual receivables below significant level	15,275,633.34	8.22	6,320,000.00	41.37	16,733,898.77	7.06	8,233,000.00	49.20
Total	185,910,414.99	-	83,802,252.50	-	236,921,629.30	-	82,319,765.53	-

1) Individual receivables below significant level at the end of period

Company Name	Amount	Bad debts provision	Rate (%)	Reason for bad debts provision
Note 1	6,320,000.00	6,320,000.00	100.00	The balance is impossible to draw back
Note 2	8,955,633.34	0.00	0.00	
Total	15,275,633.34	6,320,000.00		

Note 1: The Company made impairment provisions on three accounts receivables amounting to RMB6,320,000.00 which is longer in age and difficult to collect.

Note 2: The Company didn't make bad debts provisions on accounts receivables amounting to RMB8,955,633.34 with related parties.

2) Receivables for which provision of bad debts made on the basis of age accounts

Item	31 Dec 2011			1 Jan 2010		
	Amount	Percent (%)	Provision of bad debts	Amount	Percent (%)	Provision of bad debts
Within 1 year	63,538,003.98	0.00	0.00	104,268,065.09	0.00	0.00
1-2 years	29,185,159.71	30.00	8,755,547.91	47,549,397.53	30.00	14,264,819.26
2-3 years	22,962,283.42	60.00	13,777,370.05	21,370,804.09	60.00	12,822,482.45
Above 3 years	54,949,334.54	100.00	54,949,334.54	46,999,463.82	100.00	46,999,463.82
Total	170,634,781.65		77,482,252.50	220,187,730.53		74,086,765.53

(2) There is no reversal of bad debts provisions this year.

(3) The actual write-off of accounts receivable is amounting to RMB373,273.62.

(4) There is no accounts receivable from the shareholdings 5% or more than 5% of the Company.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

XVI. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT (cont'd)

1. Account receivable (cont'd)

(5) 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	13,180,000.00	2-3 years	7.09
Suzhou Daily	Customer	7,618,800.00	Within 1 year	4.10
Linyi Daily	Customer	6,485,000.00	Within 1 year	3.49
Ningbo herald printing Co.,Ltd	Customer	5,340,000.00	1-2 years	2.87
Zibo Sanhuan printing Co.,Ltd	Customer	4,534,400.00	Above 3 years	2.44
Total		37,158,200.00		19.99

(6) The end balance of accounts receivable due from related parties

Company name	Relation with the Company	Amount	Proportion of total amount (%)
Beijing Beiren Jingyan Printing Machinery Factory	Subsidiary	8,471,823.34	4.56

2. Other account receivable

(1) Classification for other receivables

Item	31 Dec 2011				31 Dec 2010			
	Amount	Ratio %	Provision for bad debt Amount	Ratio %	Amount	Ratio %	Provision for bad debt 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	19,223,173.40	100	12,137,525.54	61.36	21,594,731.47	100	12,188,521.90	56.44
Total	19,223,173.40	-	12,137,525.54	-	21,594,731.47	-	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	12,137,525.54	12,137,525.54	100.00	Difficult to collect
Note 2	7,085,647.86	0.00	0.00	
Total	19,223,173.40	12,137,525.54		

Note 1: the Company made impairment provisions on five other receivables amounting to RMB12,137,525.54, which is longer in age and difficult to collect.

Note 2: for reservation fund of employees and receivables from parent company which amounting to RMB7,085,647.86, the Company didn't make bad debts provisions.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

XVI. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT *(cont'd)*

2. Other account receivable *(cont'd)*

- (2) There is no reversal for bad debts provisions within the year.
- (3) The actual other accounts receivables is amounting to 50,996.36.
- (4) Other receivable from the shareholdings over 5% (incl. 5%) of the Company:.

Item	31 Dec 2011		31 Dec 2010	
	Amount	Bad debts	Amount	Bad debts
Beiren Corporation Group	0.00	0.00	1,543,308.91	0.00

(5) The top 5 of the end balance of other receivable are as follows:

Company name	Relation with the Company	Amount	Arrears period	Proportion of total amount (%)	nature
Southeast Asia	The Company's client	9,088,241.00	More than 3 years	42.09	Receivables
Beijing Beiren Jingyan Printing Machinery Factory	Subsidiary	765,777.13	1-2 years	3.98	Prepaid salary and insurance
Heating company	Heat suppliers	670,000.00	More than 3 years	3.49	Cash pledge
Zhongti colour print	The Company's client	560,000.00	More than 1 years	2.91	Equipment fees
Total		11,084,018.13		57.66	

(6) The end balance of other receivable due from related parties

Company name	Relation with the Company	Amount	Proportion of total amount (%)
Beijing Beiren Jingyan Printing Machinery Factory	Subsidiary company	765,777.13	3.98

(7) Foreign currency balance of other account receivable:

Foreign currency	Original currency	31 Dec 2011		Original currency	31 Dec 2010	
		Exchange Rate	RMB		Exchange Rate	RMB
HKD	10,305,296.52	0.8107	9,088,241.00	10,305,296.52	0.8805	9,088,241.00

3. Long-term equity investment

(1) Long-term equity investments

Item	31 Dec 2011	31 Dec 2010
Calculated long-term equity investment according to cost method	149,812,699.26	149,812,699.26
Calculated long-term equity investment according to rights and interests method	15,660,364.86	15,567,084.36
Sum of long term stock rights investment	165,473,064.12	165,379,783.62
Less: provide of devaluation for long-term equity investment	0.00	0.00
Net value of long-term equity investment	165,473,064.12	165,379,783.62

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

XVI. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT (cont'd)

3. Long-term equity investment (cont'd)

(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								
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 Jingyan	99.76	99.76	21,000,000.00	21,000,000.00	0.00	0.00	21,000,000.00	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			149,812,699.26	149,812,699.26	0.00	0.00	149,812,699.26	0.00
Equity Method								
Beijing Monigraf Automations Co. Ltd.	49	49	3,675,000.00	8,957,839.15	14,084.28	0.00	8,971,923.43	0.00
Beijing Beiyong Casting Co. Ltd.	20	20	1,136,000.00	6,609,245.21	192,796.22	113,600.00	6,688,441.43	113,600.00
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	15,567,084.36	206,880.50	113,600.00	15,660,364.86	113,600.00
Total			177,163,699.26	165,379,783.62	206,880.50	113,600.00	165,473,064.12	113,600.00

4. Operating income and cost

Item	2011	2010
Operating income	351,086,500.08	430,156,999.76
Non-operating income	18,833,288.86	14,684,323.58
Total	369,919,788.94	444,841,323.34
Operating cost	295,849,650.62	378,185,887.78
Non-operating cost	4,328,941.84	6,384,415.26
Total	300,178,592.46	384,570,303.04

(1) Operating income/cost – in classification of products/business

Item	2011		2010	
	Operating income	Operating cost	Operating income	Operating cost
Printing machine	327,543,008.42	275,915,772.60	418,884,724.34	368,848,358.39
Attachment	10,779,556.91	9,312,174.88	11,017,799.59	9,024,920.73
others	12,763,934.75	10,621,703.14	254,475.83	312,608.66
Total	351,086,500.08	295,849,650.62	430,156,999.76	378,185,887.78

(2) Total income from top five customers was RMB87,967,521.37, representing 25.06% of total income.

5. Investment income

(1) Sources of investment income

Item	2011	2010
Investment income of long-term shareholding in equity method	206,880.50	466,489.04
Investment income of disposal of long-term shareholding investment	0.00	125,144,087.84
Total	206,880.50	125,610,576.88

There was no significant limit for remittance of investment income.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

XVI. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT *(cont'd)*

5. Investment income *(cont'd)*

(2) Investment income of long-term shareholding in equity method

Item	2011	2010	Reasons for movement
Total	206,880.50	466,489.04	
Among the total:			
Beijing Beiyong Casting Company Limited	192,796.22	387,862.90	Decrease on profit
Beijing Monigraf Automations Co., Ltd.	14,084.28	78,626.14	Decrease on profit

6 Parents Income statement Supplementary Information

Item	2011	2010
1. Consolidated Net profit into Cash Flow From Operating Activities:		
Net Profit	4,760,087.54	-14,000,538.34
Add: Asset impairment	10,039,314.69	64,876,491.11
Depreciation – Fixed assets	26,611,759.26	28,912,222.20
Amortization – Intangible Assets	2,029,667.90	2,264,507.04
Amortization – Long term deferred expenses	0.00	44,000.00
Loss from the sale of fixed assets, intangible assets and other long-term assets (earnings show as “-”)	-16,080,531.13	4,239,678.05
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 “-”)	4,908,149.17	12,326,450.73
Loss on Investment (earnings show as “-”)	-206,880.50	-125,610,576.88
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 “-”)	-38,686,135.15	97,192,107.22
Decrease on Operating Receivables (increases show as “-”)	62,747,508.06	26,296,225.22
Increase on Operating Payables (decreases show as “-”)	-63,177,833.43	-129,207,585.21
Others	0.00	709,500.18
Net Value on Cash Flow From Operating Activities	-7,054,893.59	-31,957,518.68
2. Non-cash income and expenditure of the major investment and financing activities)		
Conversion of debt into capital	0.00	0.00
Convertible corporate bonds – Due within 1 year	0.00	0.00
Finance lease of fixed assets	0.00	0.00
3. Net changes in cash and cash equivalents)		
Closing Balance of cash	133,470,663.08	74,222,278.37
Less: Opening Balance of cash	74,222,278.37	86,568,028.75
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	59,248,384.71	-12,345,750.38

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

XVII. SUPPLEMENTARY INFORMATION

1. Non-operating profit and loss statement

Item	2011	2010	Note
Profit and loss from Non current-assets	14,958,555.12	4,279,750.48	VII.41 & 42
government subsidies in current profit and loss	2,615,267.06	9,675,745.75	VII.41
Debt restructuring gains and losses	96,281.69	1,583,495.15	VII.41
Impairment reversal on impairment tested receivables	0.00	1,161,100.00	
Profit and loss on transfer of holding long-term equity investment	0.00	172,039,266.78	VIII.39
Other non-operating income and expenses	25,425,169.26	99,483.45	VII.41 & 42
Sub-total	43,095,273.13	188,838,841.61	
Income tax effect	0.00	0.00	
Minority Interests effect (after tax)	859,296.92	556,670.32	
Total	42,235,976.21	188,282,171.29	

2. Accounting Data variation between P.R.C accounting standards and Hong Kong GAAP

Unit: RMB'000

Item	Net profit		Net assets	
	2011	2010	2011	2010
Under HK GAAP:	13,630	27,422	774,743	761,113
1. Difference in valuation of net assets contributed to the Company by Beiren Group Corporation	0	-60,198	0	0
2. Consequential adjustment on net assets contributed by Beiren Group Corporation	0	48,475	0	0
3. Difference in valuation of capital contribution to subsidiaries	0	-166	0	0
4. Recognition of goodwill upon acquisition of a subsidiary	0	1,344	-3,135	-3,135
5. Amortization of goodwill upon acquisition of a subsidiary	0	1,344	3,135	3,135
6. Others	0	3,937	0	0
Under PRC accounting standards	13,630	19,470	774,743	761,113

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	1.52	0.03	0.03
Net profit for equity holders of the parent company after extraordinary items	-4.11	-0.07	-0.07

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2011

XVIII. OTHER INFORMATION TO BE DISCLOSED

1. Revenue

Revenue includes the net value of the received and receivable for the sales of different type of the printing machine unites and service rendered as follows:

Item	31 Dec 2011	31 Dec 2010
Sales of hectograph machine	327,543,008.42	431,053,389.36
Sales of intaglio printing machine	363,587,203.39	299,370,754.59
Sales of form machinery	62,445,299.14	44,799,531.00
Sales of spares parts	22,937,152.71	26,471,764.45
Others	8,337,475.07	3,892,154.70
Sales revenue	784,850,138.73	805,587,594.10
Less: tax and other expenses	6,017,580.63	5,564,191.62
Total	778,832,558.10	800,023,402.48

2. Tax

Item	31 Dec 2011	31 Dec 2010
Business tax for the current year	0.00	0.00
Deferred tax	30,000.22	5,499,059.02
Total	30,000.22	5,499,059.02

3. Dividend

By the 2011, there is either no dividend paid nor suggested dividend. During the reporting period, no dividend is suggested by the board. (no dividend in 2010)

XIX. APPROVAL OF FINANCIAL STATEMENTS

The Company's financial statements were issued with the approval of the Board of the directors of the Company on 15 March 2012.

Beiren Printing Machinery Holdings Limited

15 March 2012

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 2011 were summarized as follows:

Operating Results (Prepared under PRC Accounting Standards)

	2011 RMB'0,000	2010 RMB'0,000	2009 RMB'0,000	2008 RMB'0,000	2007 RMB'0,000
Turnover	80,387.39	82,135.77	76,766.86	75,905.08	107,150.98
Total profit	1,365.98	2,496.96	-17,998.99	-28,840.68	1,024.30
Taxation	3.00	549.91	-47.23	-557.84	86.94
Net profit attributable to shareholders of parent company	1,138.29	2,227.94	-17,400.46	-26,314.16	927.85
Equity attributable to the shareholders of parent company	75,638.23	74,499.94	72,286.25	89,686.71	116,103.98
Minority equity	1,836.04	1,611.34	2,044.64	2,595.95	4,564.63

Balance Sheet (Prepared under PRC Accounting Standards)

	2011 RMB'0,000	2010 RMB'0,000	2009 RMB'0,000	2008 RMB'0,000	2007 RMB'0,000
Assets					
Current assets	81,676.69	74,525.03	92,954.69	110,350.83	131,157.63
Non-current assets	66,867.50	71,211.03	80,823.56	85,600.98	90,524.02
Total assets	148,544.19	145,736.06	173,778.25	195,951.81	221,681.65
Liabilities					
Current liabilities	67,773.01	66,037.72	95,830.29	100,178.18	97,653.84
Non-current liabilities	3,296.91	3,587.06	3,617.07	3,490.97	3,359.20
Total liabilities	71,069.92	69,624.78	99,447.36	103,669.15	101,013.04
Shareholders' Equity					
Equity attributable to the shareholders of parent company	75,638.23	74,499.94	72,286.25	89,686.71	116,103.98
Minority equity	1,836.04	1,611.34	2,044.64	2,595.95	4,564.63
Shareholders' Equity	77,474.27	76,111.28	74,330.89	92,282.66	120,668.61

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: **Zhang Peiwu**
Beiren Printing Machinery Holdings Limited
15 March 2012

CONFIRMATION ON THE 2011 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 2011 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
Zhang Peiwu	Chairman and general manager		Jiao Ruifang	Secretary to the Board of Directors	
Teng Mingzhi	Non-executive director		Jiang Chi	Chief Accountant	
Li Shenggao	Non-executive director		Kong Dagang	Deputy general manager	
Wei Li	Non-executive director		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
15 March 2012