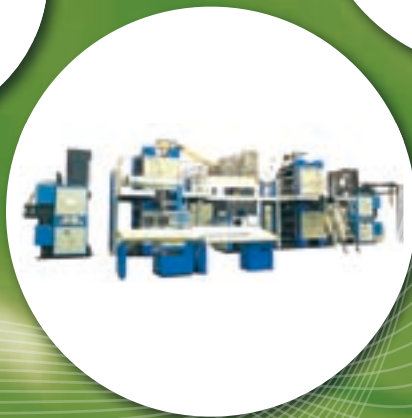


北人
BEIREN

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
2012

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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”) confirm that information contained in this annual report is true, accurate, and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.
2. There were 11 directors of the Company who shall attend the meeting, 10 of them attended the meeting. Mr. Wang Deyu, an independent non-executive director was absent from the meeting due to business engagements and authorized Ms. Wang Hui, who is an independent non-executive director to be his proxy to vote on him behalf.
3. Shinewing Certified Public Accountants LLP has issued an audit report without qualified opinion for the Company.
4. Mr. Zhang Peiwu, the person in charge of the Company, Ms. Jiang Chi, Accounting Director, and Mr. Chen Deyou, Accounting Manager (Chief Accountant), have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements contained in this annual report.
5. Proposals of profit distribution and capitalisation from capital reserves of the Company for the reporting period considered by the Board: During the reporting period, audited by the Shinewing Certified Public Accountants LLP, net profits attributable to the parent company was RMB-168,358,000, undistributed profits at the end of the year was RMB-400,026,200. As the Company recorded negative undistributed profits, in accordance with the requirements towards profit distribution under the Accounting System for Business Enterprises and Articles of Association, the Board of the Company intended not to distribute any profit and not to capitalize from capital reserves for the year 2012. Such proposals are subject to consideration at the AGM.
6. Forward looking statements, including future plan and development strategy, contained in this report do not constitute a real commitment to investors by the Company. Investors should be reminded of such investment risks.
7. None of the controlling shareholders of the Company or its associates has misappropriated the Company’s funds.
8. The Company did not provide external guarantees in violation of any specified decision-making procedures.

1. Definition

Unless otherwise stated in context, the following terms should have the following meanings in this report:

Definition of frequently used terms

Company	means	Beiren Printing Machinery Holdings Limited(北人印刷機械股份有限公司), a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange
Group	means	the Company and its subsidiaries
Jingcheng Holding (substantial shareholder and beneficial controller)	means	Beijing Jingcheng Machinery Electric Holding Co., Ltd. (北京京城機電控股有限責任公司), a company established in the PRC and the controlling shareholder of the Company, holding 47.78% equity interest in the Company
Beiren Group	means	Beiren Group Corporation (北人集團公司), a company incorporated in the PRC and a subsidiary of Jingcheng Holding (the former controlling shareholder of the Company)
Shaanxi Beiren	means	Shaanxi Beiren Printing Machinery Co., Ltd. (陝西北人印刷機械有限責任公司), a company established in the PRC and a subsidiary of the Company, which is owned as to 86.24% by the Company
Beiren Fuji	means	Beijing Beiren Fuji Printing Machinery Co., Ltd. (北京北人富士印刷機械有限公司), a sino-foreign joint venture established in the PRC and a subsidiary of the Company, which is owned as to 70% by the Company
Beiren Jingyan	means	Beijing Beiren Jinyan Printing Machinery Co., Ltd. (北京北人京延印刷機械有限責任公司), a company established in the PRC and a wholly-owned subsidiary of the Company, which is owned as to 100% by the Company
北人迪潛瑞	means	北京北人迪潛瑞印刷機械有限公司, a company established in the PRC and a subsidiary of the Company, which is owned as to 46.3% by the Company and 6% by Beiren Jingyan, totally 52.3% by the Company and Beiren Jingyan
Beijing Monigraf	means	Beijing Monigraf Automations Co., Ltd. (北京莫尼自控系統有限公司), a sino-foreign joint venture established in the PRC and an associate of the Company, which is owned as to 49% by the Company
Beijing Beiyong	means	Beijing Beiyong Casting Co., Ltd. (北京北瀛鑄造有限責任公司), a company established in the PRC and an associate of the Company, which is owned as to 20% by the Company
Mitsubishi Beiren	means	Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd. (北京三菱重工北人印刷機械有限公司), a sino-foreign joint venture established in the PRC and an associate of the Company, which is owned as to 49% by the Company. As at the date of disclosure, liquidation of the company has been completed.

1. Definition *(cont'd)*

Board	means	the board of directors of the Company
AGM	means	the 2011 Annual General Meeting to be convened on 29 May 2012
EGM	means	the extraordinary general meeting convened on 18 December 2012
Supervisory Committee	means	the Supervisory Committee of the Company
Director(s)	means	the director(s) of the Company
Supervisor(s)	means	the supervisor(s) of the Company
Shareholder(s)	means	the holder of shares
Controlling Shareholder(s)	means	has the same meaning ascribed to it under the Listing Rules
Connected Person	means	has the same meaning ascribed to it under the Listing Rules
Listing Rules	means	the Rules Governing the Listing of Securities on the Stock Exchange
Share(s)	means	Unless otherwise stated, share(s) of the Company, including A share(s) and H share(s)
SSE	means	Shanghai Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
CSRC	means	China Securities Regulatory Commission
Beijing SASAC	means	State-owned Assets Supervision and Administration Commission of Beijing Municipal Government
Beijing Securities Regulatory Bureau	means	Beijing Securities Regulatory Bureau
PRC Accounting Standards	means	PRC Accounting Standards for Business Enterprises
RMB	means	Renminbi, the lawful currency of the PRC
HK\$	means	Hong Kong dollars, the lawful currency of Hong Kong
US\$	means	United States dollars, the lawful currency of the United States of America

2. Important Risk Warnings**1. Risk of suspension on review for material asset reorganisation**

On 25 January 2013, the Company received a notice from CSRC that since party/parties concerned for the Company's material asset reorganisation is/are suspected of violating the laws and such matter has been filed for investigation, the vetting of the Company's application for the material asset reorganisation has been temporarily suspended by the CSRC. As at the date of disclosure, the Company has not yet received the notice regarding the investigation of the Company and administrative approval from CSRC. The material asset reorganisation of the Company remains suspended.

2. Risk of impact on operation result due to the material asset reorganization

If the reorganisation progress delays for a relatively long time, and the printing machinery industry is facing a further adjustment with increasingly fierce competition, the operation of the Group will still be under great pressure in 2013.

(I) Information of the Company

Chinese name of the Company	北人印刷機械股份有限公司
Chinese abbreviation	北人股份
English name of the Company	Beiren Printing Machinery Holdings Limited
English abbreviation	BR
Company's legal representative	Zhang Peiwu

(II) Contact Persons and Contact Methods

	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 of the Company	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 of the Company	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	<i>Shanghai Securities News</i>
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	北人股份	600860	ST北人
H share	The Stock Exchange of Hong Kong Limited	Beiren Printing	0187	

(VI) Changes in registration of the Company during the reporting period**(1) Basic information**

There was no change in registration of the Company during the reporting period.

(2) Related information of the first business registration of the Company

Please refer to the section Information of the Company in Annual Report 2011 for the first business registration of the Company.

(3) Change in major business of the Company since its listing

There is no change in the major business of the Company since its listing.

(4) Change in controlling shareholder of the Company since its listing

On 7 December 2012, Beiren Group, the former controlling shareholder of the Company, transferred 201,620,000 shares of the Company it held to Jingcheng Holding at nil consideration and the transfer procedure was completed. Currently, Jingcheng Holding is the controlling shareholder of the Company holding approximately 47.78% of the Company.

(VII) Other Related Information

Domestic auditors of the Company (Financial report and audit)	Name	ShineWing Certified Public Accountants LLP
	Office address	9/F, Block A, Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing, the PRC
	Names of signing accountants	Wang Xin Hua Qiang
Domestic auditors of the Company (Internal control)	Name	BDO China Shu Lun Pan Certified Public Accounts LLP
	Office address	4/F, 61 Nanjing Road East, Huangpu District, Shanghai
	Names of signing accountants	Jiang Gui Cheng Fu Li Zu
Domestic legal adviser of the Company	China Kang Da Law Firm	
Office 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	
Office address of overseas legal adviser of the Company	26/F, Jardine House, Central, Hong Kong	
Other basic information of the Company	Reception of shareholders 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.	

(VIII) 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 Stock Exchange in 1993 and the A Shares were listed on the SSE in 1994. Upon the approval of document Zheng Jian Fa Hang Zi [2002] No. 133 issued by CSRC in 2002, the Company issued 22,000,000 additional A Shares which were listed on the SSE on 16 January 2003. On 20 March 2006, the Company's general meeting approved share segregation reform in the A-share market. Trading in the Company's A shares resumed on 31 March 2006.

(IX) 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 and Financial Indicators of the Company at the End of the Reporting Period for the Past Three Years

(1) Major accounting figures

Unit: Yuan Currency: RMB

Major accounting figures	2012	2011	Changes over the same period of the preceding year (%)	
			2011	2010
Operation income	748,254,409.40	803,873,926.57	-6.92	821,357,719.69
Net profit attributable to shareholders of listed company	-168,358,026.72	11,382,900.84	-1,579.04	22,279,381.53
Net profit attributable to shareholders of listed company after extraordinary items	-173,196,189.59	-30,853,075.37	-461.36	-166,002,789.76
Net cash flow from operating activities	-47,140,181.37	-20,898,129.06	-125.57	6,517,405.27
	At the year end of 2012	At the year end of 2011	Changes over the same period of the preceding year (%)	At the year end of 2010
Net assets attributable to equity holders of the listed company	587,988,304.80	756,382,308.67	-22.26	744,999,407.83
Total assets	1,475,038,749.96	1,485,441,846.03	-0.70	1,457,360,678.14

(2) Key financial data

Key financial indicators	2012	2011	Changes over the same period of the preceding year (%)	
			2011	2010
Basic earnings per share (Yuan/share)	-0.40	0.03	-1,433.33	0.05
Diluted earnings per share (Yuan/share)	-0.40	0.03	-1,433.33	0.05
Basic earnings per share after extraordinary items (Yuan/share)	-0.41	-0.07	N/A	-0.39
Returns on net assets on weighted average basis (%)	-25.05	1.52	Decrease 26.57%	3.04
Return on net assets on weighted average basis after extraordinary items (%)	-25.77	-4.11	N/A	-22.62

(3) Extraordinary Items and Amount

Unit: Yuan Currency: RMB

Extraordinary items	Amount of 2012	Amount of 2011	Amount of 2010
Profit and loss from disposal of non-current assets	-111,794.87	14,958,555.12	4,279,750.48
Government subsidy accounted into profit and loss for the current period (except for those closely associated with the normal 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)	5,065,300.56	2,615,267.06	9,675,745.75
Profit and loss from debt restructuring		96,281.69	1,583,495.15
Reversal of impairment allowances for receivables individually tested for impairment			1,161,100.00
Other non-operating income/expenses save for the above	490,372.57	25,425,169.26	99,483.45
Transfer of revenue from long-term equity investment			172,039,266.78
Effect on minority interests	-605,715.39	-859,296.92	-556,670.32
Effect on income tax	0.00		
Total	4,838,162.87	42,235,976.21	188,282,171.29



Mr. Zhang Peiwu, Chairman of the Company

(I) Review

In 2012, affected by European debt crisis and the slow down of the global economic growth, the global economy was still undergoing a significant adjustment after crisis and recovering at a slow pace. PRC government stuck to the basic principle, "Progress through Stability", actively responded to the situation and made adjustment by stabilizing growth rate, adjusting structure and managing expectation, through which the economy preliminarily bottomed up and returned stable. In 2012, printing machinery industry suffered from various factors, such as the rapid development of digital printing and online printing, requirements on environmental protection, energy conservation and increase in labor cost and raw materials cost, resulting in excessive production capacity and declined growth rate. Overall operating result was not satisfactory, especially the sales record of sheet-fed multi-color offset presses. Market competition of printing machinery industry is increasingly fierce, merger and acquisition activities between enterprises have been increasing while green printing is growing stably with remarkable result. Package printing was still the fastest-growing market. Growth rate in central China and western China was faster while the growth rate in eastern China slowed down.

During the reporting period, the Company underwent the severest internal and external environment and processed the most complicated and hardest development mission. Besides, it closely adhered to operation management strategies, "Reform, adjustment, innovation and improvement", changed our philosophy, carried on the reform and focused on technological innovation. The Company actively developed value-added service project, endeavored to enhance its core competitiveness, optimized business structure through improved strategic management, consolidated infrastructure, strengthened quality management control and tightened financial management to further better the operation of the Company, satisfy the customers' needs and ensure the smooth operation of the Company.

During the reporting period, the operating income prepared in accordance with the PRC Accounting Standards was RMB748.2544 million. Net profit attributable to the shareholders of listed company was RMB-168.358 million.

1. Improving marketing management, consolidating sales resources and establishing marketing cooperating relationship

During the reporting period, based on the main strategy, "Exploring the market", the Company aimed at optimizing sales system, improving marketing management and services and consolidating sales resources to establish sales cooperation relationship, enhance channel management, optimize market analysis and forecast system and dynamic appraisal system for agents, focus on market exploration for new products, improve value-added services, gradually consolidate sales resources, improve marketing management and services and strengthen the appeal and market share of the Company's products.

(I) Review (cont'd)**2. Enhancing product restructuring and technological innovation to satisfy clients' needs**

During the reporting period, the Company enhanced product restructuring, actively carried out market research, kept the technology in line with the market, organized and rationalized product line to foster technological innovation, product research and technical improvement by focusing on the development of major products and key research and development projects, which continuously advanced towards package, green and environmental friendly printing. Development of a N500 paper split polychrome offset machine, a demo machine for "Digital Single Piece of Paper Split Polychrome Offset Machine Industry Project", which was a national-class project, was completed and realized sales. Meanwhile, we established 1 national standard and 2 industrial standards. 75A High-speed Printing Project was awarded First Prize in Technology Innovation from Printing and Printing Equipment Industries Association of China.

3. Optimizing management model, enhancing system establishment and improving operation quality of the Company

During the period under review, through establishing a corporate platform for operation procedure, setting up a consolidated management system and improving integrated management and system establishment, the Company completely finalized a unified management under "Three Plans", actively advanced the consolidation of procedure management platform and internal control system, combined budget and performance management, enhanced internal control and entire budget management, kept on establishing internal control and advancement of project procedure, noticeably improved the operation analyzing quality of the Company, realized the association of production and operating management and strengthened the efficiency and economic operation of the Company as a whole.

4. Strengthening financial management, focusing on planning and management and raising the fund utilizing rate

During the period under review, the Company further strengthened the financial management and focused on the control and management of budget and production plan, which fully implemented the information sharing system for purchasing resources, established a working system efficiently reducing purchasing cost, improved the management of accounts receivable collection, strengthened the work on accounts receivable collection, improved production plan management, controlled input of production, maintained balance and cooperation, speeded up product sales, reduced funds used and effectively improved fund utilizing efficiency.



Rotogravure Press of AZJ series were awarded the First Prize in the National Technology Improvement Award on Printing Equipment.



Flexo printers of RXJ series were awarded First Prize in the National Technology Improvement Award on Printing Equipment.



Beiren 75A newspaper printing machine was awarded the First Prize in the National Technology Improvement Award on Printing Equipment.

(I) Review *(cont'd)***5. Strengthening the establishment of product quality system, strictly implementing responsible subject requirement and improving product quality**

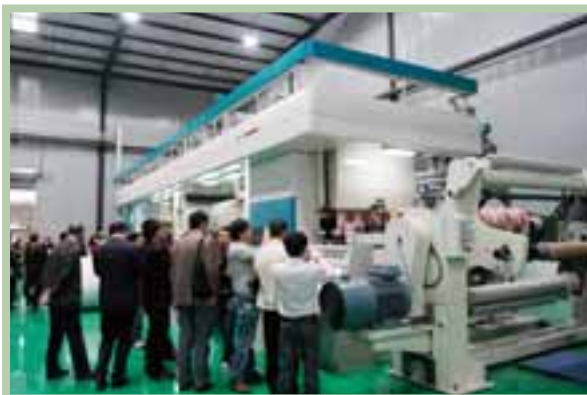
During the period under review, the Company enhanced the establishment, management and review of product quality system, strictly implemented responsible subject requirement, continued to advance quality improvement, strengthened the quality control before launching the products into the market, raised overall product function, minimized quality impairment, fostered efficient operation of quality management system and improved the uniformity and stability of products.

6. Enhancing corporate reform, tightening information disclosure management and obtaining material progress in material asset reorganisation

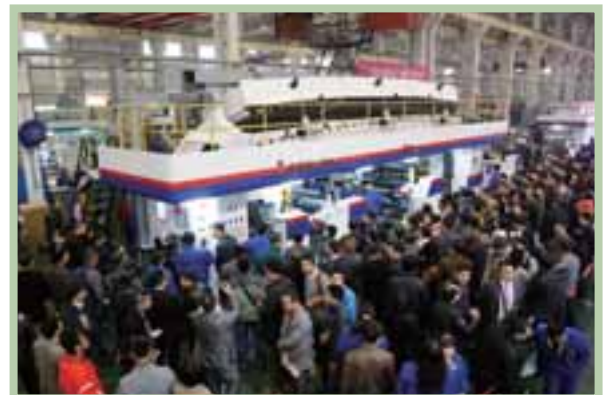
During the period under review, the Company strictly complied with the requirements under related laws and regulations governing the listing companies on PRC and Hong Kong, tightened information disclosure, held staff representative meeting, board meeting and general meeting and completed the related audit and review on schedule, obtained the approval from Beijing SASAC for the appraisal of incoming and outgoing assets and the reply and approval for asset reorganisation proposal, obtained the approval from The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the shareholders' circular and successfully convened a general meeting.



Shaanxi Beiren printing machine Co., LTD, the subsidiary held the new product demonstration and high-end forums regarding the value, services and innovation of the Printing and packaging industry



Product demonstration of Flexo printers



Product demonstration of laminating machines (drying method) DL250

2. Outlook

In 2013, the global economy will keep on post-crisis adjustment since there are full of complicated factors and uncertainties in the international market and the effect of financial crisis tends to be long-lasting. Developed countries encourage manufacturing again to initialize the third industrial revolution symbolized by the Internet and new energy, which gives a new direction for global industrial restructuring. China government will continue on "active financial policy and stable monetary policy", work on the solutions for the challenges coming during production and operation progress of enterprises, fasten the restructuring, gain new competitive advantages, facilitate the switch to new driving factors and the change in essential development methods in order to stabilize domestic economy. In 2013, printing machine industry will be driven by the increase in market demand for ink-jet printer, digital color printer and special image printer while the demand for digital printing technology is increasing, which further broadens and deepens green printing. Traditional printing machinery industry will face more serious challenges. Automation, intellectualization, digitalization and variation of printing machinery industry are the main trend, in which green printing is still the mainstream. Hybrid printing, combing the use of offset machine and digital online printing equipment will be the direction.



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



RXJ roller satellite flexo printing machine was titled as the National Key New Product.



The Company has been established for 60 years.

2. Outlook *(cont'd)*

In 2013, affected by the cost control, declining profit and pricing pressure, consolidation within printing machinery industry will continue in future and the restructuring of business will go on. Facing with the complicated and ever-changing external economic condition and intense market competition within the industry, the Company will grasp the opportunity coming with the asset reorganisation, firmly advance corporate reform and practically change developing method to improve the operation quality of the Company and focus on the future development of the Company, based on which the Company will further carry out systemic reform, restructuring and innovation to ensure its professionalism in traditional industry, strength in market segments and excellence in emerging markets so as to boost the overall competitiveness of the Company.

Key works of the Company in 2013:

1. Capitalizing the opportunity from reorganisation, constructing a new Beiren and promoting the new development

The Company will accelerate the work for material asset reorganisation, focus on improvement of self-innovation and sustainable development and make breakthrough on the transformation of development mode, further reform and harmony promotion in order to further enhance the activities, control and impact of the Company with an aim to move into a new era.

2. Accelerating technological innovation, strengthening product restructuring and improving technological innovation

The Company will stick to market-oriented strategy. Based on clients' needs, the Company will promote external technical exchange and cooperation, improve the research and development of products and accelerate manufacture of demo machines for new products. Through innovation, the Company will transform and upgrade its products and strengthen interaction with distributors to fully understand clients' needs, get access into new area at a faster pace, develop new income sources, develop overall technological innovation ability and keep promoting competitiveness of its products.

3. Innovating sales models, accelerating market exploration and improving marketing ability

The Company will innovate sales models, strengthen marketing team building and channel management, advance the market exploration, enlarge its market share, further improve after-sale services and international promotion, actively enhance the launch-related work of new products and develop value-added service in order to create new profit growing point for the Company while improving the quality of market information collection and enhancing internal information sharing of the Company so as to unify the sales, production, technology and fund planning, improve the overall marketing ability of the Company and ensure to achieve the sales target.

4. Strengthening progress management, determining responsible subject and enhancing the control over product quality

Through establishing product quality system, the Company will strengthen the control over quality, establish and optimize product quality record, refine quality monitor and check system, determine responsible subject, widen QC progress, heighten the awareness of quality among all staff and improve the product quality in order to practically enhance product quality.

5. Strengthening financial management, lowering cost and expense, raising fund utilizing rate

Through modern management skill, the Company will keep improving cost management, fund management and overall budget management to lower operation cost; and through efficiently utilizing existing resources, the Company will balance sales and production, strictly control inventory and the ratio of accounts receivable, fully capitalize systemic purchasing platform, optimizing the establishment of supply chain and lower the cost and expense. And through enhancing planning management, the Company will avoid risk, improve liquidity and raise fund utilizing rate.

6. Optimizing organizational structure, improving internal management and strengthening the operation and management of the Company

Based on and following the strategy of "3 Drop and 1 Rise", the Company will keep driving and implementing procedure management and internal control, strictly control corporate and operation risk, further optimize organizational structure and system establishment, strengthen the coordination between systems, raise operation efficiency, reduce operation risk and improve the operation efficiency and scientific standard of the Company.

7. Promoting reform on remuneration system, optimizing staff training system and ensuring corporate development

The Company will actively promote the reform on remuneration system, optimize staff training, selecting, recruiting and incentive system, endeavour to break the bottle neck of human resources, enhance technical training and arouse staff passion and stimulate their creativity to ensure human resources for a better and rapid development of the Company.

By the order of the Board of Directors
Zhang Peiwu
 Chairman

27 February 2013

(I) Discussion and analysis of the Company's Operation During the Reporting Period

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' self produced 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 Standards, the Company recorded a principal operating income of RMB748,254,400, representing a decrease of 6.92% compared with the previous year. Net profit was RMB-168,358,000, representing a decrease of 1,579.04% compared with the previous year. Profit per share was RMB-0.4.

(II) Analysis of principal businesses

1. Table of movement analysis for the related items in income statement and cash flow statement

Unit: Yuan Currency: RMB

Items	Current period	Corresponding period of last year	Changes(%)
Operating income	748,254,409.40	803,873,926.57	-6.92
Operating cost	616,796,577.32	640,174,781.71	-3.65
Sales expense	69,666,650.83	59,983,930.02	16.14
Management expense	173,349,544.40	109,017,465.08	59.01
Financial expense	14,152,324.29	7,937,550.30	78.30
Net Cash Flow from Operating Activities	-47,140,181.37	-20,898,129.06	-125.57
Net Cash Flow from Investment Activities	-7,934,697.35	20,685,811.94	-138.36
Net Cash Flow from Financing Activities	71,402,275.05	46,373,001.90	53.97
R&D expenditure	23,574,663.33	18,095,333.38	30.28

2. Income

(1) Analysis of the factors affecting income from physical sale of the Company's products

During the Reporting Period, domestic sales of printing machinery declined as compared to that of 2011, which was mainly attributable to the slow down of the global economic development, changes in printing market and decreasing demand on printing machinery. Following the financial crisis in 2008, the overall development of printing machinery industry was depressing. In 2012, the growth rate of the sales of printing machinery declined as compared to that of 2011, and fall in efficiency was apparently obvious. Especially, the growth rates of both production and sales of single or double colour offset machine dropped significantly, which was mainly attributable to the surge of domestic labour cost and prices of printing consumables. Printing corporations could no longer make any profits from sales of general products, resulting in a gradual decrease in the demand on single or double colour products. European crisis resulted in a significant drop in export business of printing corporations. Both business scale and revenue of printing corporations, who are export-oriented, located in Zhejiang, Jiangsu, Fujian and Guangdong region recorded a decrease, leading to a decrease in the purchasing quantity of printing machines. The government advocated to reform and consolidate news and media group, which affects their purchasing desire towards printing machinery. Many printing corporations delayed and cancelled their equipment purchasing plan. Changes in national policies on solar industry, notes and bills reduced the demand on flexible note business and intaglio cloth-printing equipment.

(1) Sales to major customers

During the Reporting Period, total operating income from the top five customers of the Company amounted to RMB 92,680,341.89, accounting for 12.39% of total operating income for the year.

(II) Analysis of principal businesses (cont'd)**3. Cost
(1) Cost analyzing table**

Unit: Yuan

Sub-products						
Sub-products	Component of cost	Current period	Percentage over total cost for the current period (%)	Corresponding period of last year	Percentage over total cost for the corresponding period of last year (%)	Changes in amount over last year(%)
Offset presses series	Materials	217,394,571.97	67.78	191,264,813.57	69.32	13.66
Offset presses series	Labor cost	39,995,726.06	12.47	33,937,640.03	12.30	17.85
Offset presses series	Manufacturing cost	63,345,275.84	19.75	50,713,319.00	18.38	24.91
Offset presses series	Total	320,735,573.87	100.00	275,915,772.60	100.00	16.24
Intrusion printers series	Materials	185,932,192.97	77.64	229,402,015.40	81.22	-18.95
Intrusion printers series	Labor cost	34,197,729.47	14.28	34,514,807.04	12.22	-0.92
Intrusion printers series	Manufacturing cost	19,349,975.78	8.08	18,528,407.06	6.56	4.43
Intrusion printers series	Total	239,479,898.22	100.00	282,445,229.50	100.00	-15.21
Form presses series	Materials	24,539,151.38	66.96	39,047,211.69	74.96	-37.16
Form presses series	Labor cost	7,216,881.60	19.69	7,162,475.46	13.75	0.76
Form presses series	Manufacturing cost	4,889,698.81	13.34	5,881,043.49	11.29	-16.86
Form presses series	Total	36,645,731.79	100.00	52,090,730.64	100.00	-29.65

(2) Major suppliers

During the Reporting Period, total purchasing amount for the top five suppliers of the Company amounted to RMB48,900,400, accounting for 10.10% of the total purchasing amount for the year.

4. Expense

Unit: Yuan

Items	Current period	Corresponding period of last year	Changes (%)
Sales expense	69,666,650.83	59,983,930.02	16.14
Management expense	173,349,544.40	109,017,465.08	59.01
Financial expense	14,152,324.29	7,937,550.30	78.30

Description: Management expense recorded a significant movement as compared to that of previous year, mainly attributable to the increase in reorganization expense and severance benefits;

Financial expense recorded a significant movement as compared to that of previous year, mainly attributable to the increase in loan.

**5. R&D expenditure
(1) Table of R&D expenditure**

Unit: Yuan

R&D expenditure for current period	23,574,663.33
Capitalized R&D expenditure for current period	0
Total R&D expenditure	23,574,663.33
Percentage of total R&D expenditure over net asset(%)	3.91
Percentage of total R&D expenditure over operating income(%)	3.15

(II) Analysis of principal businesses (cont'd)**5. R&D expenditure (cont'd)****(2) Description****1. 598 book printing machine with a cutting specification (BEIREN B598)(Ke 068)**

This machine is designed for the printing of nonstandard-sized magazines and advertisement. In May 2012, the product passed the review at corporate level and achieved sales and operation in Guangdong, which enriched the variety of book printing machine and enlarged our market share.

2. Development and trial production of N556 Split Sectional Double Color Printing Machine (Ke 064)

This machine, popular in Pearl River delta and Yangtze River delta region, is suitable for small and middle private enterprise and individual enterprise for paper material package printing and is a supplemental equipment to paper folio multi-colour offset machine. Double-colour machine with alcoholic lubricant and double-colour machine with water lubricant passed the review at corporate level in April and June respectively, both of which have achieved sales.

3. Digital folio multi-colour offset machine N500 (Ke 070)

This machine was selected among the second batch production of N500-4002 as an experimental machine. This machine is equipped with various modules, including pneumatic align gauge, paper size customizer and downward clamp housing. Delivery check was completed at the end of October and achieved sales in Xi'an. In early December, the client completed delivery check. The project has enhanced the function, stability and reliability of the multi-colour printing machine of Beiren, which can be competed with imported high-end folio multi-colour offset machines.

4. N530 development and trial production of folio two-sided single-colour offset machine (Ke 065)

To satisfy the printing demand for premium printing such as interests of books and magazines and product leaflets, we conducted a trial production for this model with alcoholic lubricant in order to explore the market for such machine, which passed the review at corporate level in June 2012.

5. BEIREN 920-UV Folio single-colour UV flat bed

Based on 08 model, this machine is equipped with additional function for the needs of package printing, such as lighting function and UV printing, better satisfying different needs for package of our clients with an aim to widen the usage of the products, lengthen product life and satisfy package market demand. The machine passed the review at corporate level in September.

6. N572 Folio number printing machine (Ke 074)

N572(M81D) Folio number printing machine is a specially designed model for note printing enterprise. The machine adopts the technology used for our single-colour offset machine and approximately 90% parts and components are the same. Also, the machine introduces advanced number printing and on-line two-sided checking technology, which extended the availability of traditional products. It achieved sales and client finished delivery check in June.

6. Cash Flow

Unit: Yuan

Items	Current year	Last year	Change
Other Cash receipts in operating activities	17,117,805.64	58,168,213.98	-70.47
Cash payments for goods and services acquired	299,771,119.80	468,248,461.97	-35.98
Other cash payments from operating activities	80,544,290.68	54,415,236.93	48.02
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets	8,320.00	28,146,285.00	-99.97
Cash receipts from borrowings	313,029,820.99	227,000,000.00	37.90
Other cash receipts in financing activities	8,000,000.00	-	
Cash repayments of amount borrowed	220,000,000.00	164,750,000.00	33.54
Other cash payments in financing activities	16,250,000.00	5,412,402.69	200.24

Description:

Other Cash receipts in operating activities decreased over previous year, which was mainly attributable to receipt of cash for two special projects by the Company and the compensation for suspending production of Beiren Group Corporation in previous year;

Cash payments for goods and services acquired decreased over previous year, which was mainly attributable to the decrease in production input in accord with market demand;

(II) Analysis of principal businesses (cont'd)**6. Cash Flow** (cont'd)

Other cash payments from operating activities increased over previous year, which was mainly attributable to reorganization expense paid during the year;

Net cash from the sale of fixed assets, intangible assets and other long-term assets decreased over previous year, which was mainly attributable to the receipt of relocation compensation by the Company from Beiren Group Corporation in previous year;

Cash receipts from borrowings increased over previous year, which was mainly attributable to the increase in short-term loan during the year;

Other cash receipts in financing activities increased over previous year, which was mainly attributable to the loan of the subsidiaries of the Company and Beiren Group Corporation during the year;

Cash repayments of amount borrowed increased over previous year, which was mainly attributable to the increase in borrowings;

Other cash payments in financing activities increased over previous year, which was mainly attributable to the increase in repayment of loan and bank drafts by subsidiaries of the Company to Beiren Group Corporation during the year.

(III) Analysis of industry, products or regional operation**(1) Principal businesses by industry and by product**

Unit: Yuan Currency: RMB

Sector of Product	Operating income	Operating cost	Profit margin (%)	Increase/ decrease in operating income over last year (%)	Increase/ decrease in operating cost over last year (%)	Increase/decrease in profit margin over last year (%)
Offset press series	366,076,828.89	320,735,573.87	12.39	11.76	16.24	Decrease 3.38 percent
Intrusion printers series	304,755,989.02	239,479,898.22	21.42	-16.18	-15.21	Decrease 0.90 percent
Form presses series	43,721,353.45	36,645,731.79	16.18	-29.98	-29.65	Decrease 0.40 percent
Total	714,554,171.36	596,861,203.88	16.47	-5.18	-2.23	Decrease 2.52 percent

(2) Principal businesses by geographical location

Unit: Yuan Currency: RMB

Geographical location	Operating income	Increase/decrease in operating income compared over last year (%)
Domestic	662,102,669.39	-8.98
Overseas	52,451,501.97	100.72
Total	714,554,171.36	-5.18

(IV) Analysis of asset and liability**1. Analyzing table of asset and liability**

Unit: RMB

Items	At the end of current period	Percentage of the amount at the end of current period over total asset (%)	At the end of previous period	Percentage of the amount at the end of previous period over total asset (%)	Changes in amount from the end of previous period to current period (%)
Monetary fund	181,154,277.96	12.28	161,866,351.06	10.90	11.92
Accounts receivables	192,265,245.43	13.03	163,969,806.39	11.04	17.26
Note receivables	23,425,119.81	1.59	20,263,400.00	1.36	15.6
Other receivables	18,586,901.72	1.26	17,583,975.31	1.18	5.7
Inventory	403,659,917.33	27.37	422,781,854.19	28.46	-4.52
Investment in real estate	6,556,479.32	0.44	6,739,095.77	0.45	-2.71
Investment in long-term equity	15,935,435.65	1.08	15,660,364.86	1.05	1.76
Fixed assets	498,616,014.96	33.80	526,997,541.58	35.48	-5.39
Project in progress	8,068,949.59	0.55	3,179,294.90	0.21	153.8
Short-term loan	313,029,820.99	21.22	220,000,000.00	14.81	42.29

Description: Project in progress recorded a significant movement over the previous year was mainly due to that the inputs for and transfer of fixed assets has not yet completed;

Short-term loan recorded a significant movement over the previous year was mainly attributable to the increase in funds required for reorganization.

(V) Analysis of core competitiveness

Printing machinery manufacturing technology of the Company is at the same level with international advanced technology. We possess tens of patents symbolizing the top technological standard of domestic printing machinery.

The Company has a country-wide marketing, sales and service network, which includes two sales networks, namely single sheet-fed press and web offset press. The Company owns over 60 sales agency branches, more than 40 installation and testing centers and nearly 100 spare parts sale centers across the country.

(VI) Analysis of investment**1. General analysis of external investment in equity**

- (1) To strengthen the control over subsidiaries, the Company accepted the transfer of 0.24% equity in Beiren Jingyan held by North Printing Machinery Plant of Chaoyang Beijing. After the transfer, Beiren Jingyan became a wholly-owned subsidiary of the Company.
- (2) During the period under review, the Company jointly funded and established 北京北人迪潜瑞印刷机械有限公司 with Beijing Industrial Developing Investment Management Co., Ltd, Beijing Institute of Graphic Communication and Beiren Jingyan. The registered capital for this company was RMB 20 million, and the Company's principal business is manufacturing high-end paper-feeding machine.北京北人迪潜瑞印刷机械有限公司 is owned as to 46.3% by the Company and 6% by Beiren Jingya, representing a total of 52.3% by the Company and Beiren Jingya. As at the date of disclosure, the paid-up capital of 北人迪潜瑞 amounted to RMB6,193,400 and the Company has made monetary contribution of RMB1,193,400.
- (3) As of the date of disclosure, the Company proposes to increase the capital of Beijing Beiren Printing Equipment Co., Ltd., which was incorporated with registered capital of RMB 1 million by the Company (please refer to Shanghai Securities News dated 8 February 2013).
- (4) As of the date of disclosure, the registration cancellation procedures of Mitsubishi Beiren was completed.

2. Trust investment in non-financial entity and investment in diversities**(1) Trust Investment**

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

(2) Trust Loan

The Company did not entrust any entities to deal with loan affair.

3. Use of capital raised

The Company did not use any capital raised or any capital raised in previous period for the current period.

(VI) Analysis of investment *(cont'd)***4. Analysis of principal subsidiaries and joint stock companies**

Unit: 0'000 Yuan Currency: RMB

Name of the corporation	Business nature	Principal product or service	Registered capital	Total asset	Net asset	Net profit
Shaanxi Beiren Printing Machinery Co., Ltd.	Manufacture of professional printing machine	Pressing machine Coating machine	11,500	36,212.95	5,910	-1,707.22
Beijing Beiren Fuji Printing Machinery Co., Ltd.	Manufacture of professional printing machine	Form presses machines Flexo printing machine	US\$ 5.10 million	5,762.54	2,142.07	-479.62
Beijing Beiren Jinyan Printing Machinery Co., Ltd.	Manufacture of professional printing machine	Manufacture of paper-feeding machine and other components	2,105	2,140	127.70	-456.58
Beijing Monigraf Automations Co., Ltd.	Manufacture	Ink color remote control system	1,500	2,373.06	1,805.75	8.00
Beijing Beiyong Casting Co., Ltd.	Manufacture	Die construction Model processing	568	7,171.69	2,865.44	-478.78

5. Projects financed by non-raised funds

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

(VII) Analysis of Financial Position and Business Performance During the Reporting Period**1. Operating results**

In 2012, total profit of the Company reduced by RMB183,094,900 as compared with the same period last year.

- (1) Operating income, operating cost and operating profit were 6.92%, 3.65% and 494.11% lower than the same period of last year respectively.

Of which: Sales income from printing machines decreased by 5.18% in 2012 as compared to 2011 and sales gross profit margin decreased by 2.52%, of which the sales of book printing machine increased as a result of the change in book printing machine market by policies. Sales income from offset machine increased by 11.76%. Sales of pressing machines and form presses was declining and sales income of such machines decreased by 16.18% and 29.98% respectively. Gross profit margin of offset machines was 12.39%, 3.38% lower than that of 2011. While the sales income from pressing machines decreased by 16.18%, the percentage decrease of sale cost was slightly lower than of sales income, thus the sales profit margin dropped 0.9% as compared to 2011. The decrease in sales income from form presses was greater than that of sales income, thus sales gross profit margin decreased by 0.4% over the same period last year.

Business tax and surcharge decreased by 23.04% over last year. Investment income decreased by 543.89% over last year due to the drop in profitability of associates while expenses for the period increased by 45.34% over last year with a 320.02% increase in asset impairment losses.

- (2) Non-operating income decreased by 85.13% over last year, mainly attributable to the compensation obtained for the relocation and settlement involved in the construction project financed by fund-raising as well as the loss from suspension of production and operation recorded in the corresponding period of 2011.

2. Analysis of assets, liabilities and equity interests

Total assets value amounted to RMB1,475,038,700 during the reporting period, decreased by 0.7% as compared with the beginning of the year, of which accounts receivable increased by 17.26%, inventory decreased by 4.52% and fixed asset decreased by 5.39%. Total liabilities amounted to RMB872,492,100, increased by 22.77% as compared with the beginning of the year, mainly due to increase in short-term loans, employee compensation payable (severance benefits) and reorganisation fees payable. Total equity interest attributable to shareholders amounted to RMB602,546,600, decreased by 22.23% 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 sound capital structure and solid financing channels. The Company has kept its loan size under strict control to satisfy the capital need of operating activities while minimizing its financial costs and prevent financial risks in a timely manner by fully utilizing financial instruments, so as to achieve a sustainable development of the Company and maximize its shareholders' value.

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

3. Financial position analysis *(cont'd)* Liquidity and capital structure

	2012	2011
(1) Gearing ratio	59.15%	47.84%
(2) Quick ratio	51.34%	58.14%
(3) Liquidity ratio	99.39%	120.52%

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 fully utilized financial tools to reduce financial 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 of RMB313,029,800, increased by 42.29% as compared with the beginning of the year. Long-term loan was nil.

5. Exchange Risk Management

The Company held a relatively small amount of deposits in foreign currencies. Daily expenses in foreign exchange mainly comprise dividends of H Shares, fees payable to the Stock Exchange and papers for information disclosure, and advisory fee for the Company's reorganisation during the reporting period. 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 income of product sales. Cash outflow was mainly related to production and operating activities. The Company's cash inflow from operating activities for the reporting period amounted to RMB587,975,800, while cash outflow amounted to RMB635,116,000. Net cash flow during the reporting period from operating activities amounted to RMB-47,140,200.

2. Cash flows from investment activities

Cash inflow from investment activities during the reporting period amounted to RMB257,400 while cash outflow to investment activities amounted to RMB8,192,100, 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 RMB-7,934,700.

3. Cash flows from fund-raising activities

Cash inflow from fund-raising activities during the reporting period amounted to RMB321,029,800, which was mainly derived from bank loans. Cash outflow to fundraising activities during the reporting period amounted to RMB249,627,500 was mainly for repayment of bank loans and interest. Net cash flow from fund-raising activities for the reporting period amounted to RMB71,402,300.

Net cash flow from operating activities in 2012 decreased by 125.57% over last year, mainly due to a lower amount of cash received from sales of goods and provision of services. Net cash flow generated from investment decreased by 138.36% over last year mainly attributable to the cash received from assets disposal in last year. Net cash flow generated from fund-raising activities increased by 53.97% over last year, mainly due to the significant increase in loan borrowed and repayment of debt as compared to last year.

Net cash flow generated from operating activities was RMB-47,140,200. Net profit for the year was RMB-172,146,000, mainly attributable to fund-raising activities.

(IX) Capital Structure

The Company's capital structure consists of equity interests and liabilities attributable to shareholders during the reporting period. Equity interests attributable to shareholders amounted to RMB602,546,600; of which, minority interests amounted to RMB14,558,300; and total liabilities amounted to RMB872,492,100. Total assets amounted to RMB1,475,038,700. As at the end of the year, the Company's gearing ratio was 59.15%.

Capital structure by liquidity

Total current liabilities	RMB840,151,200	Accounting for 56.96% of the capital
Total equity interest attributable to shareholders	RMB602,546,600	Accounting for 40.85% of the capital of
of which: minority interests	RMB14,558,300	Accounting for 0.99% of the capital

(X) Contingent Liability

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

(I) Details of Board Meetings and Resolutions

During the reporting period, a total of 10 board meetings were convened and the details of the meetings and resolutions are as follows:

1. The second extraordinary meeting of the Seventh Board of Directors was held on 12 January 2012. Resolutions concerning the election of the Chairman of the Company, change of Hong Kong authorized representative and adjustment of the Company's organizational structure were considered and approved.
2. The fourth meeting of the Seventh Board of Directors was held on 15 March 2012. Resolutions concerning the 2011 annual report of the Company and its summary, the work report of the Directors for 2011, the 2011 audited financial reports and the 2011 audited internal control report were considered and approved.
3. The fifth meeting of the Seventh Board of Directors was held on 26 April 2012. The 2012 first quarterly report was considered and approved.
4. The third extraordinary meeting of the Seventh Board of Directors was held on 11 May 2012. The resolution concerning the nomination of Mr. Zhang Shuangru (張雙儒) as an independent non-executive director of the Company for the seventh session of the Board was considered and approved.
5. The sixth meeting of the Seventh Board of Directors was held on 5 July 2012. The resolutions concerning establishment of the Independent Board of Directors, material assets reorganization constituting a connected transaction and relevant proposal of material assets reorganization of the Company were considered and approved.
6. The seventh meeting of the Seventh Board of Directors was held on 26 July 2012. The resolutions concerning the 2012 interim report of the Company and its summary and the provision for impairment of the Company for the half year of 2012 were considered and approved.
7. The fourth extraordinary meeting of the Seventh Board of Directors was held on 15 August 2012. The Company appointed ShineWing Certified Public Accountant to audit the consolidated financial reports and financial reports of the parent company as of 31 December 2009, 31 December 2010, 31 December 2011 and 31 December 2012. The Board considered and passed the financial reports of the Company and agreed to disclose such financial reports.
8. The eighth meeting of the Seventh Board of Directors was held on 29 October 2012. The 2012 third quarterly report was considered and approved.
9. The fifth extraordinary meeting of the Seventh Board of Directors was held on 2 November 2012. Resolutions concerning material assets reorganization constituting connected transaction of the Company, material assets reorganization, material assets reorganization complying with the requirement under clause 4 of Provisions on Issues Concerning Regulating the Material Assets Reorganisation of Listed Companies, the signing of the conditional "Material Assets Reorganisation Agreement of Beiren Printing Machinery Holdings Company Limited, Beijing Jingcheng Machinery Electric Holding Co., Ltd, and Beiren Group Corporation with Beijing Jingcheng Machinery Electric Holding Co., Ltd, and Beiren Group Corporation and the related drafts of material assets reorganization including "Report of the Material Assets Reorganisation and Connected Transactions of Beiren Printing Machinery Holdings Company Limited (Draft)" and its extract. And it was considered and approved to convene the first extraordinary general meeting of 2012 on 18 December 2012 (Tuesday).
10. The sixth extraordinary meeting of the Seventh Board of Directors was held on 21 November 2012. Resolution concerning increasing the limit of 2012 financing proposal of the Company.

(II) Discussion and analysis of the Directors concerning the future development of the Company**(1) Competition within the industry and development**

Competition within the traditional printing machinery industry becomes increasingly fierce. Especially following US and European financial crisis, profits of most of the traditional printing equipment suppliers gradually declined, which leads to more and more merger and acquisition and corporate reorganization. In 2013, printing machinery industry will experience a further correction.

Since foreign companies adopt price cutting strategy and invest in China to set up factories, the price competitiveness of the Company's products is impaired, together with a decreasing market share. And it is even worse that the industry is hit by digital printing and online sales and advertisement in traditional media gradually changes to online advertisement. As a result, market demand on traditional offset machine is on a descending trend.

(II) Discussion and analysis of the Directors concerning the future development of the Company *(cont'd)*

(1) Competition within the industry and development *(cont'd)*

Although the business scales of printing corporations grow year by year, the turnover of printing equipment records a drop. In 2012, turnover of both imported and domestic printing machine decreased while the profit of domestic printing machine even reached historical low.

In 2013, China government will adjust the qualification for tax exemption for printing machinery by raising the standard from 16500 sheets/hour to 17000 sheets/hour for folio single paper offset machine, which is a good news to the domestic offset machine manufacturers. However, the increase in investment in China by foreign companies as well as their larger production capacity in China partly offsets the advantage of the policy. While market demand on folio printing machine is relatively high, domestic printing manufacturers get many development opportunities. When quarto printing machinery was no longer qualified for tax exemption, manufacturers who principally participated in manufacture of folio printing machine were benefited and realized a great development. We hope the policy will have the same effect this time.

With the increasingly rapid urbanization in China, people's income increases, driving the development of related printing industry, especially package printing industry. Meanwhile, as the public is concerned about food safety and environmental pollution, digital printing and green printing gains support. With the development of the Internet, printing corporations uses the Internet as a platform. Focusing on the provision of services will be a profitable business model. With the increasing labour cost, printing corporations tend to purchase highly automatic and intelligent printing equipment.

As a new manufacturing strategy, printing industry is developing electronic printing and functional printing. Suppliers of traditional printing equipment has already noted such development and launched related products.

(2) Development strategy of the Company

The Company proactively adjusted its policy according to the external strategic environment. Internally, the Company rationalized product development, purchase of raw materials and production and sales through internal restructuring. Besides, we enhanced vertical management over "Quality Integrity and Financial Integrity", strictly controlled product quality, lower the financial risk of the Company, established and optimized the internal control system and talent training system to ensure the healthy and favourable development of the Company. Cutting and stopping the low-tech regular products, the Company focused on the technological development of folio multi-colour printing equipment which has larger market demand and after-printing facilities. Such products are in line with the state policy and market trend of green printing and meet the changes of domestic printing market.

Externally, by virtue of the brand advantage, strong sales network and customer base, the Company got access into printing machinery service markets, which is related to traditional printing manufacturing industry, to create a new profit growing point and explore new channels for business with internal and external resources.

(3) Business Plan

Grasping the opportunity from reorganization, the Company will further implement corporate reform and firmly advance "3 Drop and 1 Rise" strategy. The Company will strengthen the budget management entirely, lower cost and expenditure, make use of advantage in resources, enhance synergy, develop servicing business, increase business income and improve and enhance operation quality of the Company.

In view of the actual development needs of current printing business, the Company proposed to separately establish a subsidiary for the Digital Single Piece of Paper Split Polychrome Offset Machine Industry Project which will operate and develop independently. The project can promote the development of the printing equipment manufacturing industry in the Beijing region, raise China's domestic production proportion of high-end printing equipment and meet the market demand for high-end printing equipment in China.

(4) Fund requirement for maintaining existing business and establishing project company in process

Currently, the Company has sufficient funding for existing business. The Company makes fund planning every year according to the business development. If financing is needed, the Company will strictly follow the necessary approval and announcement procedures as stipulated by the procedures of laws and regulations.

(5) Potential material risks

1. Risk of suspension on review for material asset reorganization

On 25 January 2013, the Company received a notice from CSRC that since party/parties concerned for the Company's material asset reorganisation is/are suspected of violating the laws and such matter has been filed for investigation, the vetting of the Company's application for the material asset reorganisation has been temporarily suspended by the CSRC. As at the date of disclosure, the Company has not yet received the notice regarding the investigation of the Company and administrative approval from CSRC. The material asset reorganization of the Company remains suspended.

(II) Discussion and analysis of the Directors concerning the future development of the Company (cont'd)**(5) Potential material risks (cont'd)****2. Risk of impact on operation result due to the material asset reorganization**

If the reorganization progress delays for a longer time, coupled with further adjustment in the printing machinery industry, the industry competition will become increasingly fierce, and thus the Company's operation for 2013 is still under a relatively great pressure.

(III) Explanation of the Board on non-standard opinion given by the auditors**1. Explanation of the Board and the Supervisory Committee on non-standard opinion given by the auditors**

During the reporting period, auditors did not give any non-standard opinion for the Company.

2. Analysis and explanation of the Board on the reasons and impact of the change in accounting policy, accounting estimation and verification method

During the reporting period, there was no change in accounting policy, accounting estimation and verification method.

3. Analysis and explanation of the Board on the reasons and impact of the correction to material errors for last period

During the reporting period, there was no correction to material errors for last period.

(IV) Profit Distribution Plan or Plan To Convert Surplus Reserves Into Share Capital**(1) Formulation, implementation or adjustment of dividend policy**

During the reporting period, to enhance the transparency of dividend distribution in cash so as to provide a steady expectation of return for the investors, and in combination with the actual situation of the Company pursuant to the requirement of the "Notice Regarding Further Improvement of Cash Dividends Distribution of Listed Companies" of Beijing Securities Regulatory Bureau, the Company amended the Articles of Association.

Original Article of Association:

Article 230 The Company may distribute dividends in the form of:

- (1) cash;
- (2) shares.

is now amended as:

Article 230 The basic principles of profit distribution policy of the Company are:

Taking full account of return to investors and distributing dividend to shareholders per annum in proportion to realized distributable profits (consolidated statement) for the year concerned;

Maintaining the continuity and stability of the Company's dividend distribution policy, in the interest of the Company in the long term and that of all shareholders as a whole, and in line with the sustainable development of the Company;

Giving priority to distribute dividends in cash as the method of profits distribution.

Profits distribution policies of the Company are to be specified as follows:

Profits shall be distributed in the following manner: the Company may distribute dividends in cash, in shares or in a combination of both cash and shares. Subject to conditions, interim profits distribution may be made by the Company.

Specific circumstances for and proportions of cash dividend of the Company:

Save as special circumstances, if the Company's profits for the year and its undistributed profits (consolidated statement) are positive, the Company may distribute dividends in cash and the profits to be distributed in cash per annum will not be less than 5% of the realized distributable profits (consolidated statement) for that year, and that the total profit to be distributed in cash in the last three years will not be less than 30% of the average annual realized distributable profits (consolidated statement) in the last three years.

(IV) Profit Distribution Plan or Plan To Convert Surplus Reserves Into Share Capital *(cont'd)*

(1) **Formulation, implementation or adjustment of dividend policy *(cont'd)***

The “special circumstance” above refers to the aggregate expenditure amount of major investment plan or significant cash expenditure in the next 12 months of the Company reaches or exceeds 25% of the Company’s latest audited net assets. “Major investment plan” or “significant cash expenditure” includes foreign investment, payment of foreign debt, or major assets acquisition etc.

Conditions for distributing dividends in shares by the Company:

Where the Company’s business is in a sound situation, and the Board considers that the stock price of the Company does not match with the share capital size and distributing dividends in shares will be favorable to all shareholders of the Company as a whole, provided that the above conditions of cash dividend are fully met, the Company may propose dividends distribution in shares.

Original Articles of Association:

Article 231 The Company’s profit distributions shall take into account proper returns to the investors. The profit distribution plan prepared by the board of directors shall specify that cash distribution shall not be less than 30% of the distributable profit of the current year. When no such cash distribution plan is prepared, the board of directors shall disclose reasons in a regular report, and independent non-executive directors shall provide an independent opinion on this matter. When any shareholder violates relevant provisions and misappropriates the funds of the Company, the Company shall withhold his cash dividends to pay off the misappropriated amount.

is now amended as:

Article 231 Procedures for considering the profit distribution plan of the Company:

The profit distribution plan of the Company shall be drawn up by the board of directors. The board of directors shall thoroughly discuss the rationality of the profit distribution plan and form a special resolution which shall be approved and considered by the board of directors and the Supervisory Committee before submitting to the general meeting for consideration. In considering the profit distribution plan, the Company shall make network voting method accessible to shareholders.

Where the Company has no cash dividends in particular cases as provided for in the foregoing Article 230, the board of directors shall explain the specific reasons for not distributing cash dividends, the exact purpose for the retained profit and the estimated investment return, submit such to the general meeting for consideration after independent non-executive directors express their opinions thereon and disclose the same in the designated media of the Company.

Alteration of the Company’s profit distribution policy:

In case of war, natural disasters and other force majeure, or changes to the Company’s external operational environment resulting in material impact on its production and operation, or relatively significant changes to the Company’s operational position, the Company may adjust its profit distribution policy.

The board of directors shall conduct specific discussion over adjustment to the Company’s profit distribution policy, provide detailed reasons for such adjustment, provide a written report to be considered by independent non-executive directors, and then submit to the general meeting for approval by way of a special resolution. In considering alterations to the profit distribution policy, the Company shall make network voting method accessible to shareholders.

(2) **If the Company records profits and the parent records a positive undistributed profit during the reporting period but there is no proposal for cash dividend, the Company shall disclose the reasons and the usage of the undistributed profits and the usage plan in detail**

During the reporting period, as the parent recorded a negative profit, there was no proposal for cash dividend.

(IV) Profit Distribution Plan or Plan To Convert Surplus Reserves Into Share Capital *(cont'd)*

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

Unit: Yuan Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (Yuan) (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 (%)
2012	0	0	0	0	-168,358,026.72	0
2011	0	0	0	0	11,382,900.84	0
2010	0	0	0	0	22,279,381.53	0

(V) Financial Information

1. 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.

2. 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.

3. Investments in Subsidiaries

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

4. 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.

5. Other Assets

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

6. Reserves

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

7. Bank Loan

Details of bank loans as at 31 December 2012 are set out in the notes to the financial statements prepared according to the PRC Accounting Standards.

(VI) 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 PRC government an amount equivalent to 20% of the total amount of salary as the basic contribution to the Employee Retirement Insurance Scheme. In 2012, a total of RMB21,373,700 was contributed to the Employee Retirement Insurance Scheme. Apart from the said contribution, the Company has no other commitments or liabilities related to pensions.

(VII) 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 relevant members of the Company. All the terms were either normal business terms or 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.

(VIII) Staff Quarters

The Company did not sell any public housing flats to staff in 2012. 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.

(IX) 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.

(X) Annual General Meeting

The Board of Directors proposed that the Annual General Meeting for 2012 to be held in 26 April 2013 (Friday), specific time of which please refer to the Notice of 2012 Annual General Meeting.

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

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 2012, 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, perfectly 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 salary of our staff increased over the year. In the meantime, we, together with the party, 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 Information Technology 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".

(XI) Report on Performance of Social Responsibility by the Company (cont'd)**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. In 2012, the Company made rectification within the schedule in accordance with the internal control planning approved by the Board and the requirements specially made by Beijing Securities Regulatory Bureau. Also, the Company conducted an internal tracking audit, which met the requirements of five ministries and commissions of the State and CSRC. Meanwhile, the Company realized the proceduralization, systemization and information technology of internal risk control. In view of the new division of responsibility and duty for within the organization and internal control organization in 2012, the Company revised evaluation standards for internal control deficiencies and determined benchmarks with five ministries and commissions of the State according to the new risk inventory in order to further optimize risk control point to fully cover the internal control risk. Based on business procedure management on information platform, the Company organized each unit to implement internal control point to each business procedure and position, which realized the control over procedure at the internal risk control point on information technology platform. Based on the further divided business procedure platform, the Company clarified the authority for major positions for internal control business by revising the description and responsibility and duty of such positions, which realized the control over the authority of internal risk control. By rationalizing the responsibility and duty, the Company organized and supplemented 9 management systems of the Company, especially the management system involving risk control point and document template which connected with the procedure and position document of the information technology platform, directly provided to the staff in such positions as a demo and acted as a reference for internal appraisal and external audit. The Company implemented an internal control system to control the open and transparent online approval procedure for risk control point involving financial reporting matters. Currently, such measures are on the matters regarding authorization for legal person, use of company seal, budget approval, price approval, sales plan, expenditure and cost, signing of contract and asset disposal. Such matters are required an online approval in OA webpage pursuant to internal control procedure in accordance with the internal control requirements. The Company checked the performance of contract management system twice, focusing on carefully examining one by one the standing book of contracts, authorization for contracts (drafting, review, approval, signing and sealing), counterparty's qualification and performance and filing of the contracts. For those which are not qualified, the Company rectified within the schedule and required every unit to unify the standing book of contracts, drafting, review and approval of contracts and required the staff responsible for keeping the seal to file to the Company. By further complying with the requirements of internal control system, the Company implemented the risk preventing measures for authorization, approval and signing of contracts on OA webpage. Regulating contract management is vital for implementing internal control system, protecting and maintaining the legal interests of the Company.

The Company enhanced the establishment of internal control system of subsidiaries to regulate their operation and guarantee their healthy development.

In 2012, the Company instructed 2 subsidiaries to establish internal control system under the requirements on implementation of internal control system by the Board during the year, which achieved an outstanding result:

1. In 2012, Shaanxi Beiren carried out lots of difficult and basic work, such as rationalizing business procedure, optimizing internal control model and related management system, improving risk analysis, establishing resolution proposal and lowering or preventing risks. In the second half, Shaanxi Beiren started internal self-appraisal and advanced the rectification work. The Company also instructed the regulating and rectification work for internal control of subsidiaries and conducted an on-site inspection for the implementation of internal control system and self-appraisal of Shaanxi Beiren.
2. In 2012, Beiren Fuji finished development and trial operation of models for new products, financial report and products sales. In the second half, Beiren Fuji continued its self-appraisal, kept on optimizing internal control manual and managed systems and business procedure in order to meet the internal control standard. Beiren Fuji optimized internal control system and finished the revision of internal control manual and self-appraisal under the instruction of the Company.
3. Since 2011, Beiren Jingyan started to convert into a limited company and became a new company jointly established by shareholders and printing institutes. As such matter affected the scope of business of Beiren Jingyan and resulted in a material movement in asset, organization and staff, there was no condition for regulating and implementing internal control. As 1.48% of total assets and 1.2% of total income of the parent company was sourced from Beiren Jingyan, the impact on the general internal control risk of the parent company was insignificant. Therefore, training was only provided to supervisors. Upon the reorganization of the company, the company will be reported to the Board again to be included in the scope of internal control.

(XI) Report on Performance of Social Responsibility by the Company *(cont'd)***2. Report of performance of social responsibility** *(cont'd)*

For the purpose of achieving a unified standard for the internal control system of the Company and subsidiaries and getting a mutual development and support, based on the active advancement and implementation of internal system, Shaanxi Beiren held an exchange seminar for implementation of internal control in October 2012. By learning and sharing experience of each unit, the standards of implementation of internal control system and self-appraisal, risk identification measures and management measures were further clarified. The management knew more about the importance on better authority management, procedure management and system management, and learned the information technology measures of actual operation procedure of internal control system from each other to make advancement jointly.

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 Listing Rules, the Articles of Association, the Rules of Procedure for the General Meeting, on which lawyers were invited to witness and the minutes of the meetings were duly recorded, in order to ensure the full exercise of the rights of all shareholders.

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

3. Protection of employees' interests

1. In accordance with laws, regulations and rules, the Company participates in pension and social insurances such as medical, unemployment, work injuries and pregnancy insurances etc and housing fund. The Company pays the social insurance fees on time, fulfils the fees payments obligations on behalf of the employees, discloses the payment of social insurance fees every month and accepts the supervision of the employees.
2. The labor union completely fulfils its function to represent the interests of employees. Representatives of the labor union and employees participate in formulating, revising or deciding rules or systems related to work compensation which directly involve the interests of the employees and other important matters; As an organization for "double hundred testing point" in Beijing, the Company has implemented the "Rules and regulations of the Labor Contract Law", signed a "Collective Contract" and participated in the reform testing point for deciding and controlling total salary in Beijing. The Company has further clarified the interests and rights of the employees. It widely collected opinions and advices of the employees by adopting reasonable advice and through expression in company newspaper and accept supervision of the employees.
3. In the training of employees, the Company has established effective training mechanism, implemented training of the qualities of employees and training of special skills. It established the career development path of the employee and raised the ability of the employees through various training forms. It promoted the work to boost the quality of employees and built a qualified employees team. It started training activities centering on the theme of "learn in the post, developed in the post and devote to the post". It has formulated a rewarding system which gives reward to employees who obtained technical grades. In 2012, it rewards 20 employees who got promoted in technical grades, including five senior technicians and 15 technicians. A total of RMB 25,000 cash reward was given. The formulation and realization of the system greatly motivated the passion of frontline employees to learn techniques and increase abilities. In 2012, the Company organized 65 candidates to participate in the employees skills contest of the holding companies. After a comprehensive selection based on the test of theories and practices, 17 candidates of the Company entered the final contest. Finally, the Company received number one for tools and bench work and number one for miller and the title of champion of types of work for holding companies. Five candidates became the first ten of each type of work and received technical master in the post of holding companies. This skill contest fully expressed the technical ability and quality of the employees of the Company and the good spirit of the employees of the Company.

(XI) Report on Performance of Social Responsibility by the Company *(cont'd)***3. Protection of employees' interests** *(cont'd)*

4. The Company continues the "Give warmth" activity in January 2012. It gave goods and cash amounting to a total of over RMB 110,000 to employees facing difficulties and labor models who had contributed to the company during festivals. In August, it responded to the call of the management to start the "Capital city supporting study" campaign. It released the holding company "Capital city supporting study" subsidy to 45 employees whose children entered universities. It released a total of RMB 46,000 subsidy to children of 6 employees facing special difficulties. The above have expressed the encouragement of the labor union to the education of the children of employees and have relieved some actual difficulties of these employees.
5. Doing well in the work related to the employees' wellbeing mutual help insurance. In 2012, there are a total of 1,212 employees joining the insurance. There are 413 employees participating in the female employees mutual help insurance and the insurance fee involved is RMB 25,740; 345 employees are participating in critical illness insurance and the insurance fee involved is RMB 33,280; 510 employees are participating in hospitalization insurance and the insurance fee involved is RMB 25,500; 288 employees are participating in hospitalization allowance insurance and the insurance fee involved is RMB 20,800; 104 employees are participating in employees accident injuries insurance and the insurance fee involved is RMB 6,240. In 2012, we cooperated with the labor unions of holding companies to compiled related insurance into "Manual of employees mutual help insurance agent" to facilitate the carrying out of related business and performed well in the compensation work. As of the end of 2012, employees of the company had claimed their insurance for a total of 61 times and were compensated RMB 43,231.
6. Performing well in the work to protect the rights and interests of off-farm workers. The Company has 3 subsidiaries which employ a total of more than 50 off-farm workers. Most of the off-farm workers worked in Beijing Beiyong Casting Co. Ltd. (around 50 people). Most of them had worked a rather long time in the Company and have become key persons in the production posts. Apart from some labor dispatch workers who signed labor contract with their dispatching companies, other workers all signed labor contract with the Company. The Company pays various insurance for them according to regulations.

The Company has not delayed payment for the salary of the off-farm workers. All salaries are paid on time and in right amount to the personal bank card of the workers every month. The Company does not discriminate against off-farm workers. They enjoy the same status as formal employees. In the factory of Beijing Beiyong Casting Co., Ltd., where off-farm workers occupy important posts and work under "do more get more" salary system, some off-farm workers' income levels are much higher than formal employees. For the safe return to home of the off-farm workers, we have conducted an investigation. 4 subsidiaries have arrangement for the home return of off-farm workers: (1) for workers whose home village is not along the crowded lines of transportation so that they can deal with the issue of returning home themselves, the Company gives the workers advanced holidays and bear the cost of the transportation fees to and from the home village; (2) If many off-farm workers belong to the same home village, the Company will directly arrange bus to transport these workers to their home village; (3) For off-farm workers who do not plan to return home (including those whose relatives come to visit them in Beijing), the Company will arrange dormitory and give them houses for relatives for their gathering and will arrange management staff to greet them.

7. Rich cultural and sport activities strengthen the cultural construction of the company. To celebrate the 60th anniversary of Beiren, the Company has carried out large commendation activities, history writing of the factory, essay contest, speeches and cultural and art performance. Through these activities, we witness a condensed history of the development of Beiren for the last 60 years. All employees of Beiren are motivated to work more aggressively with more up-beat spirit to welcome the next 60 years of Beiren.

The Company greatly developed the construction of employees' library. It currently has one "Employees' Library" named by the Beijing General Labor Union (北京市總工會).

(XI) Report on Performance of Social Responsibility by the Company (cont'd)**4. Suppliers and interests of customers**

The Company looks for a long term strategic cooperation with customers and suppliers and aims to achieve good quality. In 2012, the Company puts emphasis on quality and supply of goods target. It has strengthened the construction of mechanism and has tightened the control over product quality and goods supply cycle. It has held meetings to continue the concern over product quality and improve product quality. It has strengthened management of supplier and communication with supplier, increased the time for supplier and quality level of supplier to ensure that the products meet the market demand.

1. Strictly control the quality and price of purchase of outsourced parts. The Company implements a classified management over the purchase of outsourced parts based on market price mechanism and product properties so as to realize monitoring of quality and price of purchased parts. The Company continuously pushed forward the supplier quality assurance system and the improvement of market price comparison system in order to realize mutual benefit and joint development.
2. Through various ways such as mutual visit and communication with key customers, regular customer satisfaction survey, after-sale visit to maintain sales channel, collect customers' opinion and provide premium service to customers on time and respond quickly to changes in the market. Push forward the service work, think by exchanging positions and use "promote sales by service" as the principle of service work. By deepening the service of stable and already occupied sales market and developing new sales market, realize the continuous development of sales work.
3. Strengthen quality improvement and formulate preventive management measures, realize breakthrough in the reliability of the product. Improve quality improvement process and enhance level of reward. Increase the initiative for the employees to participate in quality improvement; Research and develop new products based on IPD model. Conduct an overall research and development formulation and product appraisal work; organize targeted market investigation and research, visit, collect and analyze market feedback about abnormal quality problem. Quickly implement quality improvement and target the change in downstream market. Realize a continuous and developmental product market supply system.
4. Adapt to market demand and build quality team. The Company insists on orienting towards market demand and individualized needs of the customers. Actively provide a one-stop printing formulated solution while providing printing equipment for the customers in order to build the brand name advantage of Beiren. In 2012, it signed contracts of over RMB 10 million with Fu Jian Daily, Yun Nan Daily, Hu Bei Daily and Tai An Daily. It did five colors (5+1) glazing for Zhe Jiang Bo Ya Yin Wu (浙江博雅印務) and four colors plus UV glazing for He Nan Jin Yu Yin Shua Chang (河南金宇印刷廠). It provided printing equipments for Xin Jiang Xi Wang Yin Shua Chang (新疆希望印刷廠), Qing Dao Zhong Rong Yin Wu (青島中融印務) and Shan Dong Liang Shan Hong Jing Yin Wu (山東梁山弘景印務). Its whole-hearted service for its customers touched the heart of the customers and brought wide recognition for the products of Beiren. Building a first-rate marketing team will always be our goal.

5. Public welfare and caring

In 2012, in the two fundraising activities of "Communist party members show love" and "Fundraising for victims of 7•21", through the wide propaganda and organization of various levels of the party organizations, the communist party members, activists and other people made 1,449 donations which raised RMB 35,206.

Before 1 July, the senior management of the Company personally visited outstanding communist party members, old communist party members and communist party members with living difficulties, showing the concern and care of the party committee for employees.

Before the Lunar New Year, the company spent around RMB 139,965 to buy gifts and send consolation money to more than 200 people including Beiren model workers, retired cadres, old leaders and employees facing difficulties.

In 2013, the Company will continue to endeavor based on confirmed operating goals and shoulder greater social responsibilities.

The Board of Directors
Beiren Printing Machinery Holdings Limited

27 February 2013

SECTION 7 IMPORTANT MATTERS

(I) Material litigation, arbitration and matters commonly questioned by media

The Company does not have material litigation, arbitration and matters commonly questioned by media for this year.

(II) Embezzlement of funds and repayment of debt during the reporting period

The Company does not have controlling shareholders and other related parties embezzling the funds of listed company for non-operative purpose for this year.

(III) Bankruptcy and restructuring related matter

The Company does not have bankruptcy and restructuring related matter for this year.

(IV) Exchange of assets and merger of companies matter

The Company does not have exchange of assets and merger of companies matter for this year.

(V) Company share incentive and its effect

The Company does not have share incentive scheme for this year.

(VI) Material connected transaction

(1) Connected transaction related to daily operation

Unit: Yuan Currency: RMB

Related party	Relationship	Type of connected transaction	Details of connected transaction	Pricing principle of connected transaction	Prices of connected transaction	Connected transaction amount	Proportion in amount of same type of transaction (%)	Connected transaction settlement method	Market price	Major reason for the difference between transaction price and market reference price
Beijing Beiyong Casting Co.	Associated company	Purchase of commodities	Purchase of raw materials	Negotiated price		10,304,924.41	8.08	Currency transaction		
Beijing Monigraf Automations Co., Ltd.	Associated company	Purchase of commodities	Purchase of raw materials	Negotiated price		9,735,726.25	7.63	Currency transaction		
Global Industrial Supply Co., Ltd	Controlling shareholder	Purchase of commodities	Purchase of raw materials	Negotiated price		25,628,822.88	20.09	Currency transaction		
Beiren Group Corporation	Wholly-owned subsidiary of parent company	Other flow-out	Use of trademark fee	Negotiated price		3,519,440.35	100.00	Currency transaction		
Beiren Group Corporation	Wholly-owned subsidiary of parent company	Purchase of commodities	Label	Negotiated price		37,634.85	0.00	Currency transaction		
Beiren Group Corporation	Wholly-owned subsidiary of parent company	Purchase of commodities	Material	Negotiated price		6,274,899.30	4.92	Currency transaction		
Beijing Monigraf Automations Co., Ltd.	Associated company	Water, electricity and gas and other utilities fees (sale)	Water and electricity	Negotiated price		14,092.91	0.40	Currency transaction		
Global Industrial Supply Co., Ltd	Controlling subsidiary of parent company	Water, electricity and gas and other utilities fees (sale)	Water and electricity	Negotiated price		39,032.48	1.12	Currency transaction		
Global Industrial Supply Co., Ltd	Controlling subsidiary of parent company	Sales of commodities	Material	Negotiated price		545,469.57	0.43	Currency transaction		
Beijing Jingchen Nagano Construction Machinery Company Limited	Wholly-owned subsidiary of parent company	Water, electricity and gas and other utilities fees (sale)	Water and electricity	Negotiated price		516,926.35	14.83	Currency transaction		
Beijing Jingcheng Nagano Construction Machinery Company Limited	Wholly-owned subsidiary of parent company	Purchase of commodities	Material	Negotiated price		256,410.26	0.20	Currency transaction		
Beiren Group Corporation	Wholly-owned subsidiary of parent	Water, electricity and gas and other utilities fees (sale)	Water and electricity	Negotiated price		224,507.73	6.44	Currency transaction		
Beiren Group Corporation	Wholly-owned subsidiary of parent	Sales of commodities	Material	Negotiated price		6,474,785.47	0.88	Currency transaction		

(VI) Material connected transaction (cont'd)**(2) Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation**

	Summary of matter	Index for enquiry
(1)	The Company is the global sales agent for all models of single sheet-fed offset presses produced by the Beiren Group Corporation	For details, please refer to Shanghai Securities News dated 16 March 2012; http://www.sse.com.cn ; http://www.hkexnews.hk
(2)	The Company has leased part of its will lease part of its buildings and sites to Beijing Jingcheng Nagano Construction Machinery Co., Ltd.	For details, please refer to Shanghai Securities News dated 16 March 2012; http://www.sse.com.cn ; http://www.hkexnews.hk
(3)	The Company has entrusted casting parts processing to Beijing Beiyong	For details, please refer to Shanghai Securities News dated 16 March 2012; http://www.sse.com.cn ; http://www.hkexnews.hk
(4)	The Company has leased part of its buildings and sites to Beijing Beiyong	For details, please refer to Shanghai Securities News dated 16 March 2012; http://www.sse.com.cn ; http://www.hkexnews.hk
(5)	Beiren Group has entrusted the organization, processing, production of its required post-printing binding machinery products and the provision of maintenance services for customers to Beiren Fuji	For details, please refer to Shanghai Securities News dated 3 November 2012; http://www.sse.com.cn ; http://www.hkexnews.hk

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

- (1) it was entered into by the Group in the ordinary and usual course of business;
- (2) it was entered into on normal business terms;
- (3) it was carried out in accordance with the terms of the relevant transaction agreement, which were fair and reasonable and in the interests of the Company's 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 the Listing Rules, which contain their findings and conclusions.

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 minority shareholders.

(3) Related creditor's right and debt transactions

Related party	Relationship with related party	Provide funding to related party			Related party providing funding to listed company		
		Balance as of beginning of period	Occurred amount	Balance as of end of period	Balance as of beginning of period	Occurred amount	Balance as of end of period
Beijing Beiyong Casting Co. Ltd.	Associated company	0	1,101,766.17	1,101,766.17	2,394,628.29	-63,768.04	2,330,860.25
Beijing Monigraf Automations Co., Ltd.	Associated company	0	141,834.59	141,834.59	9,549,820.51	-5,241,606.26	4,308,214.25
Global Industrial Supply Co., Ltd	Controlling subsidiary of parent company	0	0	0	11,029,499.55	14,311,973.28	25,341,472.83
Beiren Group Corporation	Wholly-owned subsidiary of parent company	0	0	0	0	2,229,827.98	2,229,827.98
Beijing Jingcheng Nagano Construction Machinery Company Limited	Wholly-owned subsidiary of parent company	0	0	0	0	718,198.00	718,198.00
Haimen Beiren Printing Machinery Company Limited	Controlling subsidiary of parent company	0	0	0	0	29,711.82	29,711.82
Total		0	1,243,600.76	1,243,600.76	22,973,948.35	11,984,336.78	34,958,285.13

(VI) Material connected transaction (cont'd)**(3) Related creditor's right and debt transactions** (cont'd)

During the reporting period, the occurred amount of funding provided by the Company to controlling shareholders and its subsidiaries (Yuan) 0

Balance of funding provided by the Company to controlling shareholders and its subsidiaries (Yuan) 0

(VII) Contracts of significance and their execution**(1) Trust, contract and lease matters****1. Trust**

There is no trust matter for the company this year.

2. Contract

There is no contract matter for the company this year.

3. Lease

Unit: Yuan Currency: Renminbi

Name of lessor	Name of lessee	Details of lease of assets	Amount involved in lease of assets	Starting date of lease	Ending date of lease	Lease revenue	Defining base for lease revenue	Effect of lease revenue on the Company	Is it a connected transaction?	Relationship
The Company	Beijing Beijing Casting Co. Ltd.	Land and housing	74,227,949.38	1 January 2012	31 December 2012	4,407,064.68	Negotiated price	4,407,064.68	Yes	Associated company
The Company	Beiren Group Corporation	housing	10,688,820.44	1 July 2012	31 December 2012	624,551.48	Negotiated price	624,551.48	Yes	Wholly-owned subsidiary of parent company
The Company	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	housing	427,027.12	1 February 2012	31 July 2012	156,589.00	Negotiated price	156,589.00	Yes	Parent company
The Company	Global Industrial Supply Co., Ltd.	housing	837,442.75	1 June 2012	31 May 2013	214,620.00	Negotiated price	214,620.00	Yes	Controlling subsidiary of parent company
The Company	Beijing Monigraf Automations Co., Ltd.	housing	0	1 January 2010	31 December 2019	100,662.00	Negotiated price	100,662.00	Yes	Associated company
The Company	Beijing Jingcheng Nagano Construction Machinery Company Limited	housing	23,391,411.51	1 January 2012	28 February 2013	4,156,845.00	Negotiated price	4,156,845.00	Yes	Wholly-owned subsidiary of parent company

(2) Guarantee

There is no guarantee for the Company this year.

(3) Other material contracts

During this year, apart from contracts signed in relation to material asset restructuring, there is no other material contract for the Company.

(VIII) Fulfillment of commitments

This year, the Company or its shareholders holding more than 5% of shares, the controlling shareholder and the beneficial controller have no commitment during the reporting period or continued to the reporting period.

(IX) Appointment and dismissal of accounting firms

Unit: 0,000 Yuan Currency: RMB

Is it a reappointment of accounting firm

No

Currently appointed

Name of accounting firm (Audit of financial report)

Shinewing Certified Public Accountants LLP

Compensation of the accounting firm

105

Audit years of the accounting firm

6

Name of accounting firm (Audit of internal control)

BDO China Shu Lun Pan Certified Public Accountants LLP

Compensation of accounting firm

35

Audit years of accounting firm

2

(X) Punishment and rectification of listed company and its directors, supervisors, senior management, shareholders holding more than 5% of shares, beneficial controller and buyer

During the reporting period, the Company and its directors, supervisors, senior management, shareholders holding more than 5% of shares and beneficial controller have not been checked by CSRC, have not received any administrative punishment, have not been the subject of notice of criticism and have not been openly criticized by stock exchange.

According to Measures for the Spot Inspection of Listed Companies of CSRC (CSRC Announcement [2010] No. 12), from 11 July 2012 to 16 July 2012, Beijing Securities Regulatory Bureau conducted a checking over the internal control and regulation implementation work of the Company.

A number of rectification suggestions were made to the Company through the checking:

1. Should value the compilation and information disclosure of internal control self-evaluation report, make sure the information is disclosed truly, accurately and completely.
2. Should deepen the internal control regulation work. Subsidiaries have to finish the compilation of internal control manual as soon as possible. The internal control manual has to meet the requirement of basic regulations and guideline of internal control. Continuous update should be done to the internal control manual during daily work.
3. Have to clarify the responsibilities, limit of power, work procedures, method and requirements of internal supervision. Good work should be done on the daily supervision work over internal control system construction and implementation.
4. Have to perfect the effectiveness check and incentive mechanism of internal control implementation work.

According to the rectification opinion of Beijing Securities Regulatory Bureau, the Company seriously organized a checking of the implementation and formulated a working plan for rectification.

1. The office of the Board of Directors is responsible for the information disclosure work of the Internal control self-evaluation report, making sure the information disclosed is true, accurate and complete. The person in charge is the secretary of the Board.
2. Beiren Fuji has completed the compilation of the internal control manual during the reporting period. The internal control manual has to meet the requirement of basic regulations and guideline of internal control. Continuous update has to be done during daily work on the internal control manual. The person in charge is the vice general manager of internal control of subsidiaries.
3. Audit and legal affairs department is responsible for clarifying internal supervision responsibilities, limit of power, work procedure, method and requirement and have to do well in the daily supervision work on internal control system construction and implementation. The person in charge is the department head of audit and legal affairs department.
4. Strategy and operation management department is responsible for deepening internal control regulation construction work, supervising the compilation of internal control manual by subsidiaries and perfect the effectiveness check and incentive mechanism of internal control implementation work. The person in charge is the department head of strategy and operation management department. Through this check, the internal control system of the Company is further regulated. The Company will continue to improve internal control system construction, continue to improve internal control evaluation, fully make use of the function of internal control evaluation work mechanism to adapt to changes in internal and external environment and the development needs of the company, ensuring the effectiveness of the design and running of the internal control of the Company.

(I) Changes in share capital**(1) Statement of changes in shares****1. Statement of changes in shares**

	Before change		Increase and decrease (+,-) in change				After change		
	Amount	Proportion (%)	Issuance of new shares	Bonus issue	Conversion	Other	Subtotal	Amount	Proportion (%)
					from reserves				
									<i>Unit: share</i>
(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	422,000,000	100					422,000,000	100	

2. Explanation on the changes in shares

Beiren Group, the former controlling shareholder of the Company, transferred 201,620,000 shares of the Company it held to Jingcheng Holding at nil consideration and the transfer procedure was completed. Currently, Jingcheng Holding is the controlling shareholder and beneficial controller of the Company holding approximately 47.78% of the Company.

3. Effect of changes in shares on financial indicators such as earnings per share and net assets per share for the most recent year and most recent period

Changes in the shares of the Company do not have effect on the financial indicators such as earnings per share and net asset per share for the most recent year and the most recent period.

4. Other disclosure deemed necessary by the Company or required by securities regulatory authorities

The company does not have other disclosures or disclosures required by securities regulatory authorities.

(2) Changes in shares subject to trading moratorium

During the reporting period, there is no change in shares subject to trading moratorium of the Company.

(II) Issuance and listing of securities**(1) Each issuance of securities for the three years ended as of the end of the reporting period**

For the three years ended as of the end of this reporting period, the Company has not issued or listed securities.

(2) Changes in the total number of shares of the Company and shareholders' structure and changes in the asset and liability structure of the Company

During the reporting period, there is no change in the total number of shares and structure of shares of the Company due to bonus shares or allotment of shares.

(3) Existing internal employee shares

As of the end of the reporting period, the Company does not have internal employee share.

(III) Share price of the Company during the reporting period**1. Share prices of H shares in 2012:**

Opening price as of the beginning of the year:	HKD 1.56
Closing price as of the year end:	HKD 2.58
Highest price:	HKD 2.72
Lowest price:	HKD 1.45

2. Share prices of A shares in 2012:

Opening price as of the beginning of the year:	RMB 4.07
Closing price as of the end of the year:	RMB 6.20
Highest price:	RMB 6.69
Lowest price:	RMB 3.66

(IV) Shareholders and beneficial controllers**(1) Number of shareholders and their shareholdings**

Unit: share

Total number of shareholders during the reporting period 16,942 (in which: 16,859 holders of A shares, 83 holders of H shares)

Total number of shareholders as of the end of the fifth trading day before the disclosure date of the annual report 19,376 (in which: 19,295 holders of A shares, 81 holders of H shares)

Name of shareholder	Nature of shareholder	Shareholding ratio (%)	Total number of shares held	Increase/decrease during the reporting period	Number of shareholdings subject to trading moratorium	Number of shares pledged or frozen
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	State-owned legal-person	47.78	201,620,000	0	0	Nil
HKSCC NOMINEES LIMITED	Unknown	23.43	98,841,199	298,000	0	Unknown
Beijing JingMei Group Co., Ltd.	Unknown	2.32	9,809,156	9,809,156	0	Unknown
Beijing Tonglong Investment Consulting Co., Ltd.	Unknown	0.52	2,208,124	917,573	0	Unknown
Peng Shu Gen	Unknown	0.31	1,297,200	1,297,200	0	Unknown
Zhan Chun Xin	Unknown	0.21	900,000	0	0	Unknown
Wu Zhi Qiang	Unknown	0.19	820,049	49	0	Unknown
Tao Neng	Unknown	0.18	748,477	0	0	Unknown
Tang Bin Bin	Unknown	0.17	736,300	0	0	Unknown
Beijing BBEF Electronics Group Co., Ltd.	Unknown	0.17	722,100	722,100	0	Unknown

(IV) Shareholders and beneficial controllers (cont'd)**(1) Number of shareholders and their shareholdings** (cont'd)**Particulars of top ten holders of shares not subject to trading moratorium**

Name of shareholder	Number of shares not subject to trading moratorium	Class and amount of shares	
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	201,620,000	RMB ordinary shares	201,620,000
HKSCC NOMINEES LIMITED	98,841,199	Foreign shares listed overseas	98,841,199
Beijing JingMei Group Co., Ltd.	9,809,156	RMB ordinary shares	9,809,156
Beijing Tonglong Investment Consulting Co., Ltd.	2,208,124	RMB ordinary shares	2,208,124
Peng Shu Gen	1,297,200	RMB ordinary shares	1,297,200
Zhan Chun Xin	900,000	RMB ordinary shares	900,000
Wu Zhi Qiang	820,049	RMB ordinary shares	820,049
Tao Neng	748,477	RMB ordinary shares	748,477
Tang Bin Bin	736,300	RMB ordinary shares	736,300
Beijing BBEF Electronics Group Co., Ltd.	722,100	RMB ordinary shares	722,100

Explanation on the connected relationship of the shareholders 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, Jingcheng Holding is the controlling shareholder of the Company.
- ② HKSCC Nominees Limited held shares on behalf of its clients and the Company has not been notified by HKSCC Nominees Limited that there was any holder of H Shares who separately held 5% or more of the total share capital of the Company.
- ③ None of the shareholders holding 5% or more of the Company's shares are in position where their shares have been pledged or frozen.
- ④ Beiren Group, the former controlling shareholder of the Company, transferred 201,620,000 shares of the Company it held to Jingcheng Holding at nil consideration and the transfer procedure was completed. Currently, Jingcheng Holding is the controlling shareholder and beneficial controller of the Company holding approximately 47.78% of the Company.
- ⑤ Save as disclosed above, Directors were not aware of any person (not being a Director, supervisor or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.
- ⑥ Purchase, sale or redemption of the Company's listed securities
During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.
- ⑦ Pre-emptive Rights
There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.
- ⑧ Convertibles, options, warrants or other similar rights
As of 31 December 2012, the Company did not issue any convertible securities, options, warrants or any other similar right.

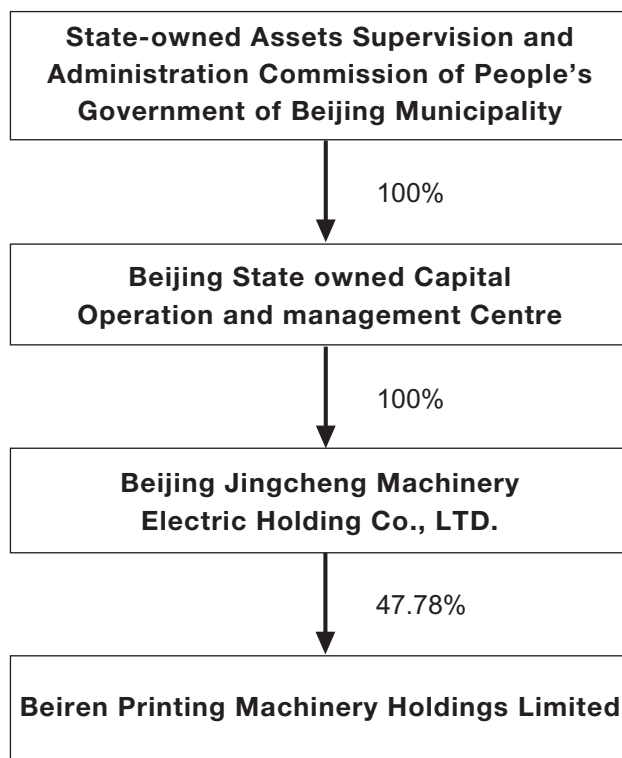
(V) Controlling shareholders and beneficial controller**(1) Controlling shareholder**

Unit: Yuan Currency: RMB

Name	Beijing Jingcheng Machinery Electric Holding Co., Ltd.
The person in charge of the unit or legal representative	Ren Ya Guang
Date of establishment	8 September 1997
Code of the organisation	63368621-7
Registered capital	169,558.71
Principal businesses	Within the scope of authorization, management of state-owned assets; management of equities; external fundraising and investment. The company has six major business sectors including numerical control machine, engineering machine, storage and transportation of gas, environment protection industry, new energy and thermal power generation. It has six business units including logistics industry, hydraulic industry, switch industry, printing machine, electrical machine industry and electric wires and cables. It combines engineering design, product development, manufacture of equipment and technical service together, provides high quality professional integrated mechanics and electric equipments and services to industrial fields such as electricity, metallurgy, shipping, transportation, engineering construction, manufacture of machines and aerospace.
Operating achievement	The company is one of the 500 largest enterprises in China. It realized operating income of more than RMB 20 billion in 2012. The core industrial sectors of the company such as numerical control machine, equipment for storage and transportation of gas, equipment for power generation and transmission and transformation of electricity, environmental protection industry, engineering machine and printing machine are in the leading position in the country.
Financial position	Financial position for the company for 2012 (unaudited): operating income: RMB 20.4 billion; income from principal business: RMB 20.095 billion; total profit: RMB 601 million; net profit: RMB 468 million; total asset: RMB 36.225 billion; net asset: 10.815 billion.
Cash flow and future development strategy	The company will use "lead by target, lead by model, lead by value and lead by product" as the guiding principle for the development strategy of the 12th five year plan. It will make its mission to produce superior machines to equip the world. It will uphold good in techniques and serve with sincerity as the core value, base on the operating philosophy of rewarding shareholders and benefiting employees and the society, try its best to become a company which equips with leading technology and application ability, create value for customers in the core market and become a leading equipment manufacturer and service provider in the world.
Equities of other domestic and overseas listed companies in which the company holds controlling shares or shares during the reporting period	Nil

(V) Controlling shareholders and beneficial controller (cont'd)**(2) Beneficial controller**

On 7 December 2012, the Company received the "Confirmation on Transfer Registration from the Shanghai Branch Office of China Securities Depository and Clearing Corporation Limited" (《中國證券登記結算有限公司上海分公司過戶登記確認書》), confirming that the relevant procedures for the transfer of 201,620,000 shares in the Company at nil consideration to Jingcheng Holding by Beiren Group Corporation, the former controlling shareholder of the Company, in relation to the administrative transfer of state-owned shares have been completed. Following the completion of such transfer, the total share capital of the Company remains unchanged, of which 201,620,000 shares, representing 47.78% of the total share capital, are held by Jingcheng Holding, the controlling shareholder of the Company. Hence Jingcheng Holding is both the shareholder and beneficial controller of the Company. The above matters were disclosed on the website of the Shanghai Stock Exchange and the website of the Hong Kong Stock Exchange; as well as disclosed on Shanghai Securities News on 8 December 2012.

(3) Property right and controlling relationship between the Company and controlling shareholders (beneficial controller)**(4) 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) Current and the resigned Directors, Supervisors and Senior Management during the reporting period

Name	Position	Sex	Age	Appointment date	End date of appointment	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Change in the amount of shareholdings in the year	Reason of change	Unit: share	
										Total remuneration before tax received from the Company during the reporting period (RMB0'000)	Total remuneration received from shareholder entities during the reporting period (RMB0'000)
Zhang Peiwu	Chairman	Male	49	18 May 2011	18 May 2014	0	0	0	0	35.19	0
Chen Bangshe	Director and General Manager	Male	46	29 May 2012	18 May 2014	0	0	0	0	28.90	0
Teng Mingzhi	Director	Male	40	18 May 2011	18 May 2014	0	0	0	0	0	26.24
Wu Dongbo	Director	Female	40	29 May 2012	18 May 2014	0	0	0	0	0	19.05
Li Shenggao	Director	Male	36	18 May 2011	18 May 2014	0	0	0	0	0	43.23
Wei Li	Director	Female	50	18 May 2011	18 May 2014	0	0	0	0	0	43.23
Jiang Chi	Director and Chief Accountant	Female	37	29 May 2012	18 May 2014	0	0	0	0	31.68	0
Zhang Shuangru	Independent Non-executive Director	Male	69	29 May 2012	18 May 2014	0	0	0	0	0	0
Wang Hui	Independent Non-executive Director	Female	51	18 May 2011	18 May 2014	0	0	0	0	4	0
Xie Bingguang	Independent Non-executive Director	Male	57	18 May 2011	18 May 2014	0	0	0	0	4	0
Wang Deyu	Independent Non-executive Director	Male	38	18 May 2011	18 May 2014	0	0	0	0	4	0
Wang Liansheng	Chairman of the Supervisory Committee	Male	54	18 May 2011	18 May 2014	0	0	0	0	36.78	0
Guo Xuan	Supervisor	Male	42	18 May 2011	18 May 2014	0	0	0	0	1.9	37.79
Wang Huiling	Supervisor	Female	49	18 May 2011	18 May 2014	0	0	0	0	16.29	0
Jiao Ruifang	Secretary to the Board of Directors	Female	35	18 May 2011	18 May 2014	0	0	0	0	36.79	0
Kong Dagang	Deputy General Manager	Male	54	18 May 2011	18 May 2014	0	0	0	0	35.98	0
Chen Changge	Deputy General Manager	Male	45	18 May 2011	18 May 2014	0	0	0	0	34.49	0
Xue Kexin	Deputy General Manager	Male	47	15 March 2012	18 May 2014	0	0	0	0	24.31	0
Cheng Tianming	Deputy General Manager	Male	51	15 March 2012	18 May 2014	0	0	0	0	24.22	0
Zhao Grorong	Former Chairman	Male	41	18 May 2011	12 January 2012	0	0	0	0	0	0
Xu Wencai	Former Independent Non-executive Director	Male	55	18 May 2011	29 May 2012	0	0	0	0	4	0
Total	/	/	/	/	/	0	0	0	0	322.53	169.54

(II) Profiles of directors, supervisors and senior management during the last five years:

- (1) Zhang Peiwu, Chinese nationality, male, aged 49, Chairman and Executive Director, 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) Chen Bangshe, Chinese nationality, male, aged 46, Executive Director and General Manager, is a postgraduate and a senior engineer. Mr. Chen was the Chief Engineer and Deputy Plant Manager of Shaanxi Printing Machinery Plant, and Vice Chairman and General Manager of Shaanxi Huanggong Group Holdings. Mr. Chen has been the General Manager of Shaanxi Beiren Printing Machinery and he is currently the Chairman of the Company. Mr. Chen has served as General Manager of Beiren Printing Machinery Holdings Limited since March 2012. Mr. Chen was honored with the titles of the "Labor Model of Shaanxi Province", "Outstanding Contributions Experts in Shaanxi Province", "Outstanding Packaging Entrepreneur in China", "The Ninth Bisheng Printing Outstanding New Comer Award" as well as "Top 100 Excellent Printing Entrepreneur in Modern China". Mr. Chen has extensive experience in corporate management and printing machinery design.
- (3) Teng Mingzhi, Chinese nationality, male, aged 40, Non-executive Director, 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.
- (4) Wu Dongbo, female, Chinese, 40 years old, Non-executive Director, is a postgraduate and a senior accountant. Ms. Wu worked as an accountant in Beijing Xidan Commercial District Construction and Development Company (北京西單商業區建設開發公司), the manager of the advisory department of Beijing Fangyuan Huaxin Certified Public Accountants Company Limited, the auditing head of Beijing Jingcheng Machinery Electric Holding Co., Ltd, and is now the head of the audit department of Beijing Jingcheng Machinery Electric Holding Co., Ltd. Ms. Wu possesses extensive experiences in corporate management and financial management.
- (5) Li Shenggao, Chinese nationality, male, aged 36, Non-executive Director, 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.
- (6) Wei Li, Chinese nationality, female, aged 50, Non-executive Director and Editor (編審), graduate of printing mechanics from Xi'an 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.
- (7) Jiang Chi, Chinese nationality, female, aged 37, Executive Director and Chief Accountant, 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 October 2011 and has been appointed as the Chief Accountant of Beiren Printing Machinery Holdings Limited and has years of experience in financial management.

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

- (8) Zhang Shuangru, Chinese nationally, male, aged 69, Independent Non-executive Director, Senior economist, graduated from archeology, Department of History, Peking University. Mr. Zhang has served as deputy director of personnel department and deputy manager in 中國印刷公司 (China Printing Corporation). He was appointed as the chairman of China Printing Corporation, the deputy general manager of 中國印刷集團 (China Printing Group Corporation) and the chairman of 北京華聯印刷有限公司 (C&C Joint Printing Co., (Beijing) Ltd.), and presently the vice officer of the 全國印刷標準化技術委員會 (National Technical Committee on Printing of Standardization of Administration of China) and managing vice-chairman of 中國印刷技術協會 (Printing Technology Association of China). Mr. Zhang received special subsidy from the State Council in 1994 and The Bisheng Printing Outstanding Achievement Award in 2009.
- (9) Wang Hui, Chinese nationality, female, aged 51, 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 Chairman and General Manager of Zhonghai Kaitian (Beijing) Asset Management Co., Ltd..
- (10) Xie Bingguang, Chinese nationality, male, aged 57, 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. Ms. Xie is currently the Chairman and General Manager of 中海航天資產管理有限責任公司.
- (11) Wang Deyu, Chinese nationality, male, aged 38, Independent Non-executive Director, MBA, a 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.
- (12) Wang Liansheng, Chinese nationality, male, aged 54, 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.
- (13) Guo Xuan, Chinese nationality, male, aged 42, 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 was working in Beiren Printing Machinery Holdings Limited from October 1992 to February 2012. He is currently Assistant General Manager of Beiren Group Corporation. 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.
- (14) Wang Huiling, Chinese nationality, female, aged 49, 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.

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

- (15) Jiao Ruifang, Chinese nationality, female, aged 35, 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 rich 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.
- (16) Kong Dagang, Chinese nationality, male, aged 54, 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.
- (17) Chen Changge, male, Chinese nationality, aged 45, 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. 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.
- (18) Xue Kexin, Chinese nationality, male, aged 47, Deputy General Manager, is a postgraduate and an economist. Mr. Xue was the technical planner for the production and technology division of the Company, assistant to the head of division; Deputy Director and Director of Department of Business Administration and Operation of the Company, Supervisor of the Supervisory Committee of the Company and secretary to the Board of Directors and Deputy General Manager of Shaanxi Beiren Printing Machinery Limited. He is currently Chairman of Beijing Beiren Fuji Printing Machinery Limited and Assistant General Manager of the Company. Mr. Xue has extensive experience in production management, marketing business operation and management.
- (19) Cheng Tianming, Chinese nationality, male, aged 51, Deputy General Manager, a postgraduate and an engineer. Mr. Cheng acted as the Director of the general manager's office of the Company, Deputy General Manager of Beiren Hotel, Deputy General Manager of Single sheet-fed Offset Printing Presses Branch and Director of Department of Quality Assurance of the Company. He is currently Deputy General Manager of the Company and Head of Department of Production Management. Mr. Cheng has extensive experience in production and management as well as corporate management.

(III) Positions of current and the resigned Directors, Supervisors and Senior Management during the reporting period**(1) Positions in Shareholder Entities**

Name	Name of shareholder entity	Position(s)	Date of appointment	End of appointment
Zhang Peiwu	Beiren Group Corporation	General Manager	12 January 2012	
Teng Mingzhi	Jingcheng Holding	Secretary to the Board, Officer of the Board Office Director of the Communist Party Committee Office Director of the Secondment Office of Directors and Supervisors	1 September 2011	
Wu Dongbo	Jingcheng Holding	Head of Audit and Legal Affairs Department	1 August 2008	
Li Shenggao	Beiren Group Corporation	Chief Financial Officer	10 October 2008	
Wei Li	Beiren Group Corporation	Deputy General Manager	1 December 2009	
Guo Xuan	Beiren Group Corporation	Deputy General Manager	1 March 2012	

(2) Positions in Other Entities

As of the end of this reporting period, there are no directors, supervisors and senior management undertaking positions in other entities.

(IV) 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 of 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 Directors, Supervisors and Senior Management	“Changes in the shareholding and remuneration of the Directors, Supervisors and Senior Management” (see chart).
Total actual remuneration of all Directors, Supervisors and Senior Management at the end of the reporting period	RMB3,225,300

(V) Changes in Directors, Supervisors and Senior Management

Name	Position	Changes	Reason of change
Zhang Peiwu	Chairman	appointed	Elected as Chairman
Chen Bangshe	Director and General Manager	appointed	Vacancy filled, appointed as General Manager
Wu Dongbo	Director	appointed	Additional or vacancy filled director
Jiang Chi	Director	appointed	Additional or vacancy filled director
Zhang Shuangru	Independent Non-executive Director	appointed	Additional or vacancy filled director
Xue Kexin	Deputy General Manager	appointed	Appointed as Deputy General Manager
Cheng Tianming	Deputy General Manager	appointed	Appointed as Deputy General Manager
Xu Wencai	Former Independent Non-executive Director	resigned	Resigned voluntarily because of reason in work
Zhao Guorong	Former Chairman	resigned	Resigned voluntarily because of change in work

(VI) The core Technical Team or key Technical Staff of the Company

The Company possess an integrated development in single sheet-fed offset presses, web-fed offset presses, intaglio presses and forms printing presses by its own research and development team. The Company has the core technical team and key technical staff in the aspects of mechanical design, manufacturing processes and the field of electrical controls. During the reporting period, the core technical team and key technical staff of the Company are stable and thus the technical research and development projects can be proceeded gradually as planned. In addition, the technical problems can be solved by the way of induced technology or jointed research and development with colleges and universities.

(VII) Details of Staff of the Parent Company and major subsidiaries**(1) Details of Staff**

Number of existing employees of the Parent Company	1612
Number of existing employees of major subsidiaries	1431
Total number of existing employees	3043
Number of retired staff who incurred expenses of the Parent Company and major subsidiaries	4386

Professional

Professional type	Number of persons
Production staff	1594
Sales staff	175
Technical staff	331
Financial staff	53
Administrative staff	400
Others	490
Total	3043

Educational Background

Education level	Number of persons
University graduates or above	488
Associate degree	754
Secondary technical graduates	512
Senior high school graduates and below	1289
Total	3043

(2) Remuneration Policies

The Company implemented diversified salaries system based on the performance of positions as the main remuneration system. On the basis of performance-based salary standards of positions, the salary level of the each position is determined by job evaluation with reference to labor market for confirming the relative value of the post, so as to ensure the internal and external equality of salaries level. On this basis, the remuneration policies is to be implemented in accordance with different personnel and nature of work to undertake a diversified salaries system such as the implementation of broadband compensation and technological innovation incentives for technical staff; the sales commission approach for marketing staff; piecework or hourly wage system for production workers and annual salary system for senior management.

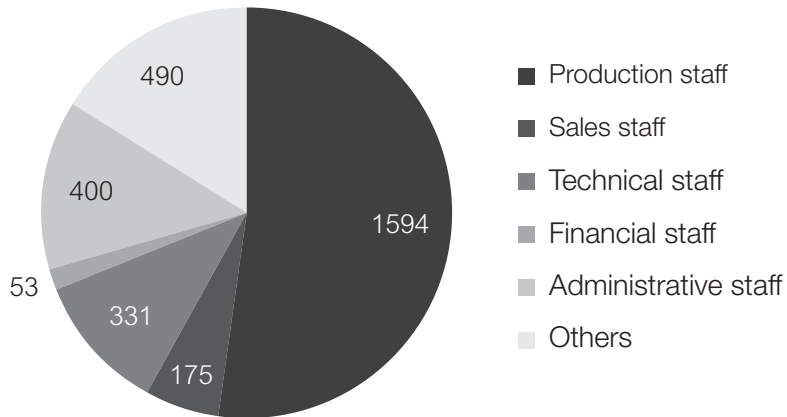
(3) Training Plan

In order to have better planning of training work of this year, since the end of last year, the 2012 human resources training program is formulated in accordance with the requirements of the Company and the human resources department; aiming at strengthening the management of training as well as enhancing the planning, validity and relevance of the training works required by the company. In 2012, various trainings for high-level organizations were completed; and orientation programs for new staff and "professional image and business etiquette training" were organized. The technical and production staff had participated into the "cost analysis and control" training. The R&D staff had joined the trainings on "flexo printing", "safety production management", "production and quality series", quality management", "from technical expertise to management", and "top sales and absolute negotiation skills". For technical staff level, there were 5 technical staff acquired senior technician qualification and 3 obtaining technical occupational qualification. The formulation and evaluation of staff training was completed. The formulation of ELN Training program of network business school and courses assignment and trainees learning management is being continued. Since the ELN training program is initiated for learning practice and survey, the response was so good that the E-learning training can provide us a good learning platform and necessary support for knowledge update. Meanwhile, it also creates great effect in enhancing skills and professionalism. There were 10 staff achieving good results in the first half the year and the training completion rate reached over 91%.

(VII) Details of Staff of the Parent Company and major subsidiaries *(cont'd)*

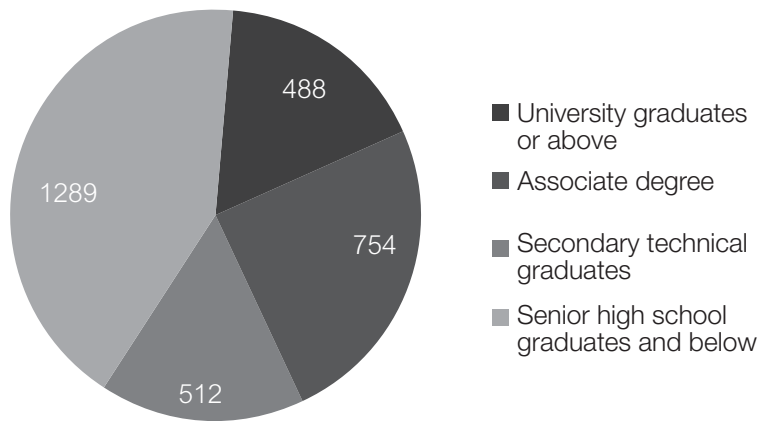
(4) Chart of Professions

Professions of Staff



(5) Chart of Education level

Education level of Staff



(I) Corporate Governance and Insiders Registration and Management System

During the reporting period, the Company has formulated the procedures for Shareholders to propose a person for election as a Director, and amended several documents including the Articles of Association, the Administrative Rules governing related party transactions and Registration and Management System for Persons with Access to the Company's Insider Information in accordance with the Company Law, Securities Law and other laws and regulations and requirements of regulatory authorities. The Company has continuously perfected its governance structure as a legal person during the reporting period to ensure the Company's compliance with laws and regulations.

During the reporting period, the Company has strictly complied with the requirements of the Registration and Management System for Persons with Access to the Company's Insider Information in the process of material asset reorganization. The involved personnel to take part in the process include agencies, controlling shareholders as well as directors, supervisors and senior management, to ensure the insider information is enclosed within a minimized scope.

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 in the first extraordinary meeting of the seventh Board of Directors held on 16 December 2011; and were disclosed on the website of the Shanghai Stock Exchange and the website of Hong Kong Stock Exchange. The amended Articles of Association was considered and approved in the 2012 first extraordinary meeting held on 18 December 2012 and disclosed on the website of the Shanghai Stock Exchange and the website of Hong Kong Stock Exchange.

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 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 of 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 and Insiders Registration and Management System *(cont'd)*

3. 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.

4. 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.

5. 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 SSE and the Stock Exchange to solidly ensure that investors will be able to obtain the relevant information equally.

6. 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) Inter-competition among companies of Beiren Group

During 2010, to weather through the difficulties, the Company transferred its non-core businesses and assets to Beiren Group and the Beijing Securities Regulatory Bureau considered that there is competition between the business of Quarto Printing Machinery and that of the Company. Therefore, Beiren Group 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 “12th Five Year Plan” period to avoid harming Beiren Printing Machinery Holdings Limited and its shareholders’ interests.

In addition, the Company has independent business and self operating capacity. Beiren Group strictly regulate its behaviours and has 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 Beiren Group are fair and reasonable. The Company and Beiren Group 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.

(IV) Appraisal and Motivation Mechanism for Senior Management during the reporting period

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) 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.

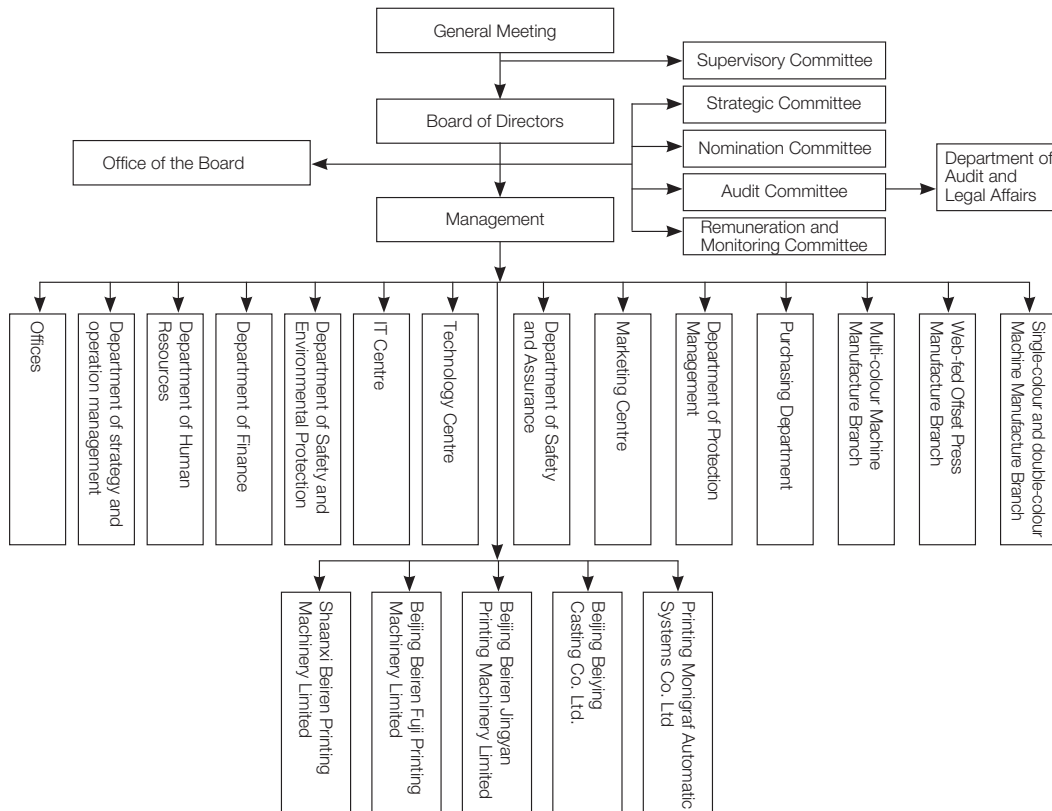
During the reporting period, the Company was in compliance with all the provisions in the Code on Corporate Governance Practices (referred to the “Code” hereafter) as set out in Appendix 14 to the Listing Rules.

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.

(V) Corporate Governance Report

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.

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



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
Chen Bangshe	Director and General Manager
Jiang Chi	Director and Chief Accountant

Non-executive director

Teng Mingzhi	Director
Wu Dongbo	Director
Li Shenggao	Director
Wei Li	Director

Independent non-executive director

Zhang Shuangru	Director
Wang Hui	Director
Xie Bingguang	Director
Wang Deyu	Director

(V) Corporate Governance Report (cont'd)**1. Directors and Composition of the Board of Directors** (cont'd)

Note:

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 associate 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.

2. Attendance of directors at the Board meetings

Attendance 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	Attendance at general meetings
Zhang Peiwu	No	10	10	4	0	0	No	2
Chen Bangshe	No	6	6	3	0	0	No	2
Teng Mingzhi	No	10	9	4	1	0	No	2
Wu Dongbo	No	6	6	3	0	0	No	1
Li Shenggao	No	10	10	4	0	0	No	2
Wei Li	No	10	9	4	1	0	No	2
Jiang Chi	No	6	6	3	0	0	No	2
Zhang Shuangru	Yes	6	6	3	0	0	No	2
Wang Hui	Yes	10	9	4	1	0	No	2
Xie Bingguang	Yes	10	10	4	0	0	No	2
Wang Deyu	Yes	10	10	4	0	0	No	2

Number of board meetings convened during the year 10
 Among which: number of meetings convened on-site 6
 Number of meetings convened by communication equipment 4

Appointment or dismissal of Directors, supervisors and senior management during the reporting period

- (1) The 2011 Annual General Meeting of the Company was held on 29 May 2012, at which the appointments of Mr. Chen Bangshe and Ms. Jiang Chi as additional Executive Directors of the Company, Ms. Wu Dongbo as additional Non-executive Director of the Company and Mr. Zhang Shuangru as additional Independent Non-executive Director of the Company were considered and approved.
- (2) The fourth meeting of the seventh Board of Directors was held on 15 March 2012, at which the appointments of Mr. Chen Bangshe as General Manager of the Company, Mr. Xue Kexin and Mr. Cheng Tianming as Deputy General Managers of the Company were considered and approved.
- (3) The second extraordinary meeting of the seventh Board of Directors was held on 12 January 2012, at which the resignation of Mr. Zhao Guorong as Director, Chairman, the convener of Strategic Committee and member of Remuneration and Monitoring Committee of the Company and the appointment of Mr. Zhang Peiwu as Chairman of the Company were considered and approved.
- (4) The third extraordinary meeting of the seventh Board of Directors was held on 11 May 2012, at which the resignation of Mr. Xu Wencai as Independent non-executive Director, the member of Strategic Committee and the member of Nomination Committee of the Company was considered and approved.
- (5) The sixth meeting of the seventh Board of Directors was held on 5 July 2012, at which the appointments of Mr. Zhang Shuangru, Mr. Chen Bangshe and Ms. Jiang Chi as the members of Strategic Committee under the Board and Mr. Zhang Shuangru as the convener of Nomination Committee under the Board were considered and approved.

(V) Corporate Governance Report *(cont'd)***3. Independent Non-executive Directors' Objection to the Relevant Matters of the Company**

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

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

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

5. Chairman and General Manager

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

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

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

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

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.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

(V) Corporate Governance Report (cont'd)**7. Power of the Board of Directors****(1) The Board of Directors exercised the power stipulated in laws and regulations and the Articles of Association as follows:**

To convene general meetings and implement resolutions passed thereat;

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

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

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

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

To consider the management's report;

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

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

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

Performance of duties by Strategic Committee under the Board of Directors

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

The power of the Strategic Committee is to formulate the corporate governance policies with terms of reference as follows:

- (1) To formulate and review corporate governance policies and practices, and make recommendations to the Board;
- (2) To review and monitor the training and continuous professional development of the directors and senior management;
- (3) To review and monitor the policies and practices of the company in compliance with legal and regulatory requirements;
- (4) To formulate, review and monitor the code of conduct and compliance manual of employees and directors;
- (5) To review the company's compliance with the "Code" and the disclosure in "Corporate Governance Report".

The Strategic Committee comprises five directors. During the reporting period, the Strategic Committee convened one meeting. Detail is as follows:

- (1) On 23 July 2012, the establishment of the joint venture 北人迪普瑞印刷裝備科技有限公司 (tentative name, subject to business registration) by three parties, including the Company and Beijing Institute of Graphic Communication, was considered and approved; the funding proposal, the feasibility study report, the joint venture agreement and the company's articles of association were considered and approved.

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

Name	Attendance Description	Required Attendance in 2012	Actual attendance
Zhang Peiwu (Chairman of the Board)	Chairman of the Committee	1	1
Zhang Shuangru (Non-executive director)	Member of the Committee	1	1
Chen Bangshe (Executive director)	Member of the Committee	1	1
Teng Mingzhi (Non-executive director)	Member of the Committee	1	1
Jiang Chi (Executive director)	Member of the Committee	1	1

(V) Corporate Governance Report (cont'd)**7. Power of the Board of Directors** (cont'd)**(2) Work of the committees under the Board of Directors** (cont'd)**Performance of duties by Audit Committee under the Board of Directors**

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

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

- (1) On 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 accounting firm communicated with the Audit Committee and the independent directors of the Company for the annual auditing work for 2011. 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 2011 Annual Report.

On 6 March 2012, the Audit Committee convened meeting considered and approved the proposals as follows: ①The 2011 Financial Report audited by the ShineWing Certified Public Accountant: the Audit Committee considered that: The 2011 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 2011 and the operating results for 2011 and the preparation of the financial report was in compliance with the relevant laws and regulations and financial policies. ②the audit report issued by BDO China Shu Lun Pan Certified Public Accounts LLP: 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 for 2011, which was complied with related regulations and policies. 3) The Audit Committee agreed to pay ShineWing Certified Public Accountant the audit fee totaling RMB1,080,000. 4) The Audit Committee agreed to pay BDO China Shu Lun Pan Certified Public Accounts LLP the audit fee 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 asset 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. All the above resolutions were submitted to the Board of Directors for consideration.

- (3) On 20 April 2012, the Audit Committee considered and approved the 2012 First Quarterly Report of the Company; considered and approved the resolution of writing-off the bad debts, which was submitted to the Board of Directors for consideration.

(V) Corporate Governance Report *(cont'd)***7. Power of the Board of Directors** *(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** *(cont'd)*

- (4) On 23 July 2012, the Audit Committee reviewed and approved the 2012 Interim Report of the Company. The Audit Committee of the Board reviewed the financial statements of the 2012 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 2012 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 2012 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 2012 and on writing-off the bad debts and submitted them to the Board of Directors for consideration.
- (5) On 23 October 2012, the Audit Committee considered and approved the 2012 Third Quarterly Report of the Company. The Audit Committee agreed to submit it to the Board of Directors for consideration.

Work on 2012 Annual Report and communication with accounting firm

- (1) On 30 January 2013, the management of the Company reported the operation of the Company for 2012 to the Audit Committee and the independent directors of the Company.
- (2) On 20 February 2013, 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 2012 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 2012 Annual Report and internal control report respectively.
- (3) On 20 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 2012 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 2012 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 2012 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 2012 as well as the operation result of 2012. 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 2012, the Audit Committee agreed to pay it the audit fee for 2012 totaling RMB1,050,000. 4) Given the work taken by and performance of BDO China Shu Lun Pan Certified Public Accounts LLP in 2012, the Audit Committee agreed to pay it the audit fee for 2012 totaling RMB350,000. 5) Given the performance of ShineWing Certified Public Accountant in providing service in 2012 audit report, the Audit Committee decided to assign ShineWing Certified Public Accountant as the financial auditing institution in 2013. 6) Given the performance of BDO China Shu Lun Pan Certified Public Accounts LLP in providing service for the Company in 2012, the Audit Committee decided to assign BDO China Shu Lun Pan Certified Public Accounts LLP as the internal control auditing institution in 2013. 7) The proposal of the impairment provision of the Company for 2012 was considered and passed. 8) No profit distribution plan for the year 2012 of the Company was considered and passed. 9) The self assessment report on the internal control of the Company for 2012 was considered and passed. 10) The proposal of a connected transaction concerning the entrustment of casting parts processing by Beijing Beiying 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 Beiying Casting Company Limited, an associate of the Company was considered and passed. 12) The proposal of transaction to be entered between the Company and Beijing Monigral Automations Company Limited, an associate of the Company, concerning the purchase of remote colour numerical control system, was considered and passed. 13) The plan of auditing work for 2013 was considered and passed. 14) The plan of internal control work for 2013 was considered and passed. 15) Resolution in respect of the writing off of bad debts of the Company was considered and approved. All the above resolutions were submitted to the Board of Directors for consideration.

(V) Corporate Governance Report (cont'd)**7. Power of the Board of Directors** (cont'd)**(2) Work of the committees under the Board of Directors** (cont'd)
Work on 2012 Annual Report and communication with accounting firm (cont'd)

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

Name	Description	Required attendance in 2012	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	6	6

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

The major duties of the Remuneration and Monitoring Committee are to study and consider the Company's remuneration policy and incentive mechanism, to determine with delegated responsibility from the Board remuneration packages of individual executive directors and senior management or, and to formulate the appraisal standard for directors and senior management of the Company and to assess them, and to make recommendations to the Board on the remuneration packages.

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

- On 12 March 2012, the assessment results of the Performance Assessment Contract for Senior Management for 2011 was considered and passed; and submitted to the Board for consideration.
- On 24 April 2012, the assessment results of the Performance Assessment Contract for Senior Management for 2012 was considered and passed; and submitted to the Board for consideration.
- On 24 July 2012, the assessment results of the Performance Assessment Contract for Senior Management for the first half of 2012 was considered and passed; and submitted to the Board for consideration.

In 2012, 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.

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

Name	Description	Required attendance in 2012	Actual attendance
Wang Hui (Independent non-executive director)	Chairman of the Committee	3	3
Wang Deyu (Independent non-executive director)	Member of the Committee	3	3
Zhang Peiwu (Chairman)	Member of the Committee	3	3

Performance of duties by Nomination Committee under the Board of Directors

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

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

- On 9 March, 2012, to consider the nominated appointment of Mr. Chen Bangshe as the candidate for Director of the seventh Board of Directors; to consider to replace the chairman and director of Shaanxi Beiren Printing Machinery Company Limited, the subsidiary of the Company; and to consider to replace the chairman and director of Beijing Beiren Fuji Printing Machinery Limited, the subsidiary of the Company.
- On 10 May 2012, to consider and approve Mr. Zhang Shuangru as the nominated candidate for non-executive director of the seventh Board of Directors.
- On 20 November 2012, to consider and approve the resolution of nominating the director and supervisor of 北京北人迪潜瑞印刷機械有限公司.

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

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 2012	Actual attendance
	Chairman of the Committee	1	1
Wang Hui (Independent non-executive director)	Member of the Committee	3	3
Wei Li (Independent director)	Member of the Committee	3	3
		2	2

8. Remunerations of Directors and Senior Management and assessment of the Board**(1) 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.

(2) 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.

- (3) None of the directors, supervisors and senior management had been granted equity interest as an incentive by the Company during the reporting period.
- (4) Save as disclosed above, none of the directors, supervisors and senior management or any of their associates, as at 31 December 2012, 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.
- (5) 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 contract of significance of the Company other than the service contracts mentioned above.
- (6) 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.
- (7) Save as disclosed above, none of the directors, supervisors and senior management of the Company, as at 31 December 2012, 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.

(V) Corporate Governance Report *(cont'd)***8. Remunerations of Directors and Senior Management and assessment of the Board** *(cont'd)*

- (8) 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 2012.
- (9) 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.

9. 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.

10. Auditors' remuneration

At the 2011 Annual General Meeting convened on 29 May 2012, the Company re-appointed ShineWing Certified Public Accountants as the domestic and overseas auditors of the Company for 2012 Financial Report and appointed BDO China Shu Lun Pan Certified Public Accounts LLP as accountant for 2012 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, none of the analysis of the remuneration of the auditor for the provision of non-audit services to the Company provided by ShineWing Certified Public Accountants and BDO China Shu Lun Pan Certified Public Accounts LLP.

During the reporting period, the audit fee payable to ShineWing Certified Public Accountants amounted to RMB1,050,000. 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 RMB350,000. 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 2012, ShineWing Certified Public Accountants has provided audit services for the Company for 6 years, and BDO China Shu Lun Pan Certified Public Accounts LLP has provided audit services for the Company for 2 years.

A proposal will be 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 2013 at the 2012 Annual General Meeting.

During the reporting period, directors are assumed the due responsibilities of preparing the financial report and internal control report. Please refer to the "XII Financial Report" issued by ShineWing Certified Public Accountants and "XI Internal Control" issued by BDO China Shu Lun Pan Certified Public Accounts LLP, of this annual report, for the particulars of the opinion on the financial report and internal control report respectively.

11. Internal control

Details on the internal control of the Company implemented by the Board of Directors are set out in the section headed "Part XI Internal Control" of this Annual Report.

12. Delegation of authority by the Board of Directors

During the reporting period, any implementation of delegation of authority by the Board of Directors to the operations management shall be subject to the approval of the Board of Directors. Such delegation also requires the operations management to regularly report the implementation results on matters related to such delegation. The Board has not delegated any authority with respect to managerial or administrative functions to its committees.

(V) Corporate Governance Report (cont'd)**13. Corporate governance functions**

During the reporting period, the Board of Directors performed its corporate governance functions, namely: (1) to develop and review the Company's policies and practices on corporate governance; (2) to review and monitor the training and continuous professional development of directors and senior management; (3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (4) to develop, review and monitor the staff's manual applicable to employees and directors; and (5) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report. Details on the implementation of the above matters are set out in the section headed "Part XI Internal Control" of this Annual Report.

14. Annual General Meeting and communications with Shareholders

The 2011 Annual General Meeting was held on 29 May 2012, on which the below resolutions were considered and approved:

(I) Ordinary resolutions

(1) To consider and approve the 2011 Annual Report of the Company; (2) to consider and approve the 2011 Work Report of the Board of Directors of the Company; (3) to consider and approve the 2011 Work Report of the Supervisory Committee of the Company; (4) to consider and approve the 2011 financial report of the Company audited by ShineWing Certified Public Accountant; (5) to consider and approve the 2011 internal control report of the Company audited by Shu Lun Pan Certified Public Accountants LLP; (6) to consider and approve the resolution of the Company not to distribute any profit for the year 2011; (7) to consider and approve re-appointment of SHINEWING Certified Public Accountants for the Company's 2012 financial reports, and to authorise the Board of Directors to enter into employment contracts with it and determine its remuneration; (8) to consider and approve re-appointment of Shu Lun Pan Certified Public Accountants LLP as the Company's 2012 internal control auditor, and authorizing the Board of Directors to enter into employment contract with it and determining its remuneration; (9) to approve the appointment of Mr. Chen Bangshe and Ms. Jiang Chi as Executive Directors of the Seventh Board of Directors of the Company and the addition of Ms. Wu Dongbo as Non-executive Director of the Seventh Board of Directors of the Company for a term starting on 29 May 2012 up to the 2013 Annual General Meeting; (10) to consider and approve the remuneration of the additional directors and entering into of their written contracts; (11) to consider and approve the addition of Mr. Zhang Shuangru as the Company's Independent Non-executive Director for the seventh session of the Board of Directors for a term starting on 29 May 2012 up to the 2013 Annual General Meeting;; (12) to consider and approve the remuneration of and the entering into of a service contract with the newly added Independent Non-executive Director, and to authorise the Chairman to enter into employment contract with him.

The first extraordinary general meeting of 2012 was held on 18 December 2012, on which the below resolutions were considered and approved:

(I) Special resolutions

1. To consider and approve item by item the resolution regarding the material asset reorganisation of the Company: (1) the counterparties; (2) proposed assets for disposal and proposed assets for acquisition; (3) pricing method; (4) transaction price; (5) the handling of the difference in value of the proposed assets for disposal and the proposed assets for acquisition; (6) the attribution of the profit and loss in relation to the proposed assets for disposal and the proposed assets for acquisition arising from or incurred during the period commencing from the benchmark date for the valuation of the proposed assets for disposal and the proposed assets for acquisition up to the date of completion; (7) completion; (8) arrangements for staff of Beiren Holdings and the proposed assets for disposal; (9) validity of the resolution. 2. To consider and approve the resolution on the signing of the conditional "Material Assets Reorganisation Agreement of Beiren Printing Machinery Holdings Company Limited, Beijing Jingcheng Machinery Electric Holding Co., Ltd, and Beiren Group Corporation" between Beijing Jingcheng Machinery Electric Holding Co., Ltd, and Beiren Group Corporation. 3. To consider and approve the resolution on the "Report of the Material Assets Reorganisation and Connected Transactions of Beiren Printing Machinery Holdings Company Limited (Draft)" and its extract. 4. To consider and approve the resolution authorising the Board of Directors of the Company to take actions relating to this transaction. 5. To consider and approve the resolution regarding the change of the name of the Company. 6. To consider and approve the resolution regarding amendment to the Articles of Association of the Company.

Two shareholders' general meetings of the Company were held during the reporting period, on which all resolutions were passed by way of poll. The directors, supervisors, senior management, members of the Board committees and auditor of the Company were present at the meetings. The directors and senior management answered all questions raised by investors at the meetings.

During the reporting period, the Company developed the Procedures for Shareholders to Propose a Person for Election as a Director of the Company, and amended documents such as the Articles of Association, the Insiders Registration and Management System on Insider Information and the Management System on Connected Transactions.

(V) Corporate Governance Report *(cont'd)***15. Secretary to the Board**

- (1) The secretary to the Board is a member of the senior management of the Company.
- (2) The secretary to the Board is appointed by the Board of Directors of the Company and reports to the Chairman.
- (3) The main duties of the secretary to the Board include: to assist the directors with their handling of the day-to-day business of the Board; to provide the directors with, remind the directors of, and ensure that the directors are aware of, the domestic and foreign regulators' regulations, policies and requirements in respect of the operation of the Company; to assist the directors and managers in proper compliance with domestic and foreign laws, regulations, the Articles of Associations and other relevant rules in exercising their functions and power; to be responsible for organizing and preparing the documents of the Board's and the shareholders' general meetings; to duly keep meeting minutes; to ensure that decisions made at meetings are made in accordance with statutory procedure and to keep abreast of the implementation of the resolutions of the Board of Directors; to be responsible for arranging and coordinating the disclosure of information, coordinating the relationship with investors and enhancing the transparency of the Company; to participate in arranging capital market financing; to handle relations with intermediary organisations, regulators and the media, and to coordinate public relations.

16. Participation in trainings by directors, supervisors and senior management

To further develop and update the knowledge and skills of the directors, supervisors and senior management in order to for them to better serve the Company, during the reporting period the directors, supervisors and senior management of the Company participated in trainings in relation to matters including the Listing Rules, Corporate Governance, Corporate Internal Control, Prevention of Insider Trading, Optimisation of the Delisting System of Listed Companies in the Shanghai Stock Exchange, Information Disclosure, and Responsibilities of the Directors. The Company also coordinated the participation of its directors, supervisors and senior management in trainings organised by the Beijing Regulatory Bureau which aimed at providing related knowledge to directors, supervisors and senior management. During the reporting period, the secretary to the Board participated in no less than 15 learning hours of professional trainings and the directors and supervisors participated in no less than 8 learning hours of professional trainings.

17. 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 of Directors is of the opinion that as the Company's resources are sufficient for its operation in the foreseeable 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 of Directors 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.

18. Supervisory Committee's description on risks in the Company

During the reporting period, the Supervisory Committee had no disagreement on any supervisory matters.

19. Statement from the Company: the Company maintained sufficient public float during the reporting period.

(V) Corporate Governance Report *(cont'd)***20. Shareholders' Rights****(a) Calling an extraordinary general meeting**

Where shareholders request to hold an extraordinary general meeting or class meeting, the following procedures shall be followed:

- (i) Two or more shareholders who collectively hold 10% or more of the voting shares at the proposed meeting may make a proposal to the Board on holding an extraordinary general meeting or class meeting by signing one or several written requests with same content in same format and define the meeting agenda. The Board shall convene such meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid number of shares held shall be calculated as of the date when the written request was put forward by the shareholders.
- (ii) In case that the Board fails to give a notice of convening such meeting within thirty days after receipt of the aforesaid written request, the shareholders who put forward the request may convene such a meeting within four months after receipt of the request by the Board, and the procedures shall be the same as those for convening a general meeting by the Board where possible.

The expenses reasonably incurred by shareholders in convening and holding such a meeting for the Board fails to hold such a meeting on the aforesaid request shall be borne out by the Company and shall be deducted from any payment due by the Company to breaching directors.

Where the shareholders decide to convene a general meeting, it/they shall give a written notice to the Board and shall report it to the local office of the CSRC in the region where the Company operates and the stock exchange for record.

Prior to the announcement of the resolution of the general meeting, the shareholding by the shareholders who convene the meeting shall be not less than 10%.

The shareholders who convene the meeting shall submit relevant certification materials to the local office of the CSRC in the region where the Company operates and the stock exchange, while sending out a notice of general meeting and making the announcement of the resolution of the general meeting.

(b) Putting forward proposals at general meetings

The content of a proposal shall be determined by general meeting, which shall have definite topics to be discussed and specific matters for resolution and shall be in line with the laws, administrative regulations and the Company's Articles of Association.

Shareholders that independently or collectively hold 3% or more of shares in the Company may make a temporary proposal and submit it to the convener(s) in written form ten days prior to a general meeting. The convener(s) shall give a supplementary notice of general meeting to announce the content of the temporary proposal within two days upon receipt of the proposal.

Except as provided in the preceding paragraph, after sending out a notice of general meeting, the convener(s) shall not make any amendments to the proposals included in the notice or add any new proposals.

Where the election of directors or supervisors is proposed to be discussed at a general meeting, the detailed information about the candidates for directors or supervisors shall be disclosed in the notice of general meeting, including:

- (i) Personal information such as educational background, employment experience and concurrent positions;
- (ii) Whether he/she has any related relationship with the Company or its controlling shareholders or actual controllers;
- (iii) The number of shares held in the Company; and
- (iv) Whether he/she has been punished by the CSRC, other authorities or the stock exchange.

A single proposal shall be made for each candidate for director or supervisor, except for directors or supervisors elected by way of cumulative voting system.

(c) Putting enquires to the Board

Shareholders may send their enquires requiring the Board's attention to the Secretary to the Board at the registered address of the Company, the contact details are set out in the "Company Profile" section of the Annual Report. Questions about the procedures for convening or putting forward proposals at an AGM or extraordinary general meeting may also be put to the Secretary to the Board by the same means.

(I) Responsibility Statement on Internal Control and Establishment of Internal Control System

I. Responsibility statement on internal control

Pursuant to the Implementation Scheme for Internal Control Regulations, the Company established a leadership group on regulatory matters relating to internal control, which is responsible for the guidance, supervision, organisation and implementation of internal control measures. Persons in charge of such measures were clearly defined to be responsible for the actual implementation of internal control measures.

For the internal control of the Company, according to the requirements of the Board of Directors, 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. 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. 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 of Directors and the general meeting of shareholders, Shu Lun Pan Certified Public Accountants was determined as the annual internal control auditor.

II. Overview of the Company's internal control

(I) Purpose of the Company's internal control

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

(II) Principles of the Company's internal control system

1. **The internal control system must abide by the relevant laws and regulations of the State**
The Internal Control Guidelines for Listed Companies of the Shanghai Stock Exchange issued by the Shanghai Stock Exchange on 5 June 2006, Basic Criteria for Corporate Internal Control issued by five ministries including the Ministry of Finance and CSRC on 22 May 2008 and the Guidelines for Enterprise Internal Control issued by 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 aspects such as decision-making, execution, supervision and feedback in a practical manner.
3. **Principle on importance**
Internal control should deal with important business events and high-risk area on the basis of comprehensive control.
4. **Principle on balance of power**
Internal control should establish counter-control and counter-monitoring between governance structure and organisation establishment, and allocation of duties and power and business workflow with operating efficiency being taken into account.
5. **Principle on adaptability**
Internal control should fully take into consideration the actual conditions of the Company, and should accommodate with the scale of operation, scope of business, competitiveness and risk level of the enterprise and be adjusted in a timely manner subject to changes in conditions, in order to ensure 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.

(I) Responsibility Statement on Internal Control and Establishment of Internal Control System *(cont'd)*

III. Five key elements of the Company's internal control

(I) Internal environment

1. Corporate governance organisations

In strict accordance with the requirements of laws and regulations such as the Company Law, the Company established and perfected governance organisations 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 authorised by the Board of Directors to exercise part of its duties.

The Supervisory Committee acts as the Company's monitoring organisation 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 long-term development strategies and material investment decisions of the Company.

The Nomination Committee of the Board of Directors is a special organ established by the Board of Directors which is principally responsible for studying and issuing opinions on candidates and election standard and procedures for directors and senior management.

The Remuneration and Monitoring Committee of the Board of Directors is a special organ established by the Board of Directors which is principally responsible for formulating the appraisal standard for directors and senior management of the Company and to assess them as well as for formulating and examining the remuneration policies and proposals of directors and senior management and holding responsibility for the Board of Directors.

The Audit Committee of the Board of Directors is a special organ established by the Board of Directors which is principally responsible for the communication, supervision and checking of internal and external audit work of the Company and for supervision and checking of the execution of the internal control system of the Company.

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

2. Organisation establishment of the Company

Based on comprehensive consideration on the nature of the enterprise, the Company adheres to the principles of equality in duties and power, concise and high efficiency and coordinated operation and has established a new management framework system which includes office of the Board of Directors, Offices of the Company, Department of Safety and Environmental Protection, Department of Strategy and Operation Management, Department of Production Management, Department of Procurement, Department of Quality Assurance, Department of Human Resources, Department of Finance, Marketing Center, Technology Centre, IT Centre, Department of Audit and Legal Affairs, Multi-Color Press Manufacturing Branch, Single and Double Color Press Manufacturing Branch and Web-fed Manufacturing Branch established under the holdings company.

(I) Responsibility Statement on Internal Control and Establishment of Internal Control System *(cont'd)*

III. Five key elements of the Company's internal control *(cont'd)*

(I) Internal environment *(cont'd)*

2. **Organisation establishment of the Company** *(cont'd)*

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 the Company Law and the Articles of Association.

3. **Authorisation management of the Company**

The Company has established a clear division of functions and duties and implemented measures on management of authorisation by legal persons which regulated activities related to authorisation. All positions of the Company have 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**

The Department of Audit and Legal Affairs established under the Audit Committee of the Board of Directors of the Company independently performs internal audit duties, and independently supervises 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 to all staff of Beiren Printing Machinery Holdings Limited.

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

The capability of staff refers to the techniques, know-hows and personal characters that are required to complete a task. It is the fundamental prerequisite to ensure the sound accomplishment of duties by the staff and the normal roll-out of the Company's operations. The Company has amended and enhanced the job manual for all staff levels in the departments and branches of the Company, which further defines the scope of duties and authority of staff. The Company has continued to provide staff training and launched the Beiren ELN Training Programme during the reporting period, which delivered all-rounded management visions and skills training to management staff holding key positions.

(I) Responsibility Statement on Internal Control and Establishment of Internal Control System *(cont'd)*

III. Five key elements of the Company's internal control *(cont'd)*

(I) Internal environment *(cont'd)*

6. **Corporate culture, anti-fraudulent system and social responsibility of the Company**

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

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

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

(II) 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 steady operation of daily business; to ensure that the Company's business objectives and business strategy are achieved and that the legal rights of investors are not violated.

The Company identified risks by means of combining quantitative and qualitative methods, and classified them into material, moderate and low risk categories based on their occurrence frequency and extent of impact. Material risks were regarded as key areas of risk control in the Company.

Based on changes in the internal and external environment, the competent internal control departments of the Company organised internal risk assessments and analyses from time to time and recruit adequate professionals to identify and realise internal and external risks associated with the operational targets of the Company in a timely manner. Upon obtaining approval from the Working Meeting of the General Manager and the Board of Directors, strategies for addressing risks were adjusted and the risk inventory and corresponding internal control documentation are amended accordingly, in order to ensure control and timely adjustment after taking into account internal risks and accommodation to changes in the external environment, so as to safeguard the normal economic operations environment of the Company.

The internal risk control of the Company targeted financial risks, operations risks, compliance risks, operational risks, professional ethics risks and staff turnover risks. Specific analysis and confirmation mechanisms were in place in conducting the control activities of all business modules, while correspondingly measures had been established for carrying out and actual implementation of risk control in all key positions within the business process. Strict requirements were adhered to in authorization control, policy control, process control measures and office information automation platform to ensure effective control along the risk control points of the Company.

(I) Responsibility Statement on Internal Control and Establishment of Internal Control System *(cont'd)*

III. Five key elements of the Company's internal control *(cont'd)*

(III) 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 carried out internal assessment. The Company kept risk exposure within tolerance level by means of combining manual control and automatic control as well as preventive control and detective control and by applying relevant control measures. Control measures mainly include:

1. Accounting system control

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

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

2. Control of authorisation

During the reporting period, the Company further strengthened the authorisation management system in accordance with the Articles of Association. In regard to claims of fees related to the sales business, procurement business and normal business that occurred on a frequent basis, as well as financing within the scope of authorisation, an examination and approval system was taken place at all levels in each relevant unit and department. In regard to all contracts signed externally, the Company strictly complied with the requirement and process of legal authorisation. In regard to infrequent business transactions such as significant transactions including external investment, issue of shares, restructure of assets, transfer of equity, guarantee, connected transaction, etc, examination and approval was handled by the Board of Directors or the general meeting of shareholders depending on the transaction amount.

3. Control of separation of incompatible duties

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

(I) Responsibility Statement on Internal Control and Establishment of Internal Control System *(cont'd)*

III. Five key elements of the Company's internal control *(cont'd)*

(III) Control activities *(cont'd)*

4. Control of certificates and records

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

5. Control of access to assets and the use of records

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

6. Budget control

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

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

7. Operation analysis control and performance assessment control

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

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

(IV) Information and communication

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

(I) Responsibility Statement on Internal Control and Establishment of Internal Control System *(cont'd)*

III. Five key elements of the Company's internal control *(cont'd)*

(IV) Information and communication *(cont'd)*

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

The Company set up an effective information sharing system based on its information communication channels. As to the design of external and internal communication channels, the Company realised the effective and efficient transmission between external information and the associated departments of the Company. Both vertical sharing of internal information between different levels and horizontal sharing between parallel departments are effective. Smooth channels for upward, downward, parallel, external/internal information transmission are established. In addition, through effectively application of modern information platforms including OA, CRM and MRP, the Company increased the efficiency of all tasks and effectively achieved communication of information of the Company and established a risk database which facilitated the effective risk control of the Company and provided a platform for reducing relevant risks at a controllable level. The Company effectively exercised control of information and communication.

(V) Internal supervision

The Audit Committee of the Board of Directors of the Company is a special organ established by the Board of Directors which is responsible for supervision and checking of the execution of the internal control system of the Company. The internal control system of the Company clearly defines the duties and authority in internal supervision, internal audit organisation, regulates the procedures, methods and requirements of internal supervision, and formulates the standards for internal audit and recognition of material deficiencies, major deficiencies and general deficiencies.

During the reporting period, the Company conducted self assessment and internal audit on the implementation of internal control system, and provided reports on deficiencies of internal control of the Company and self assessment reports to the management and the Board of Directors. Upon obtaining approvals, the Company organised rectifications on the relevant internal control deficiencies within a specified timeframe so that occurrence of the related risks of the Company was effectively avoided.

IV. The implementation of the internal control system

Scope of implementation of internal control policies in 2012: the Company, Single and Double Color Offset Press Branch, Multi-Color Offset Press Branch, Web-fed Offset Press Branch, Shaanxi Beiren and Beiren Fuji.

(I) In accordance with the 2012 annual internal control implementation plan approved by the Board of Directors and the requirements made by the Beijing Regulatory Bureau in a special inspection, the identified issues were thoroughly rectified within the specified timeframe, while follow-up audits were conducted internally to the standards required by the five ministries and the Regulatory Bureau. Efforts were made to streamline the processes, regulations and information management on internal control.

1. Amendment to the internal control manual

- (1) The existing internal control policy manual and deficiency assessment standards were amended based on the new division of functions and structure of internal control organs in 2012.
- (2) Careful item-by-item review was conducted on the new risk inventory by referring to the application guidance issued by the five ministries, so as to supplement and improve the set up of risk control points and achieve comprehensive coverage of internal control.

2. On the basis of realising business process management on the information platform, the internal control risk points were confirmed and implemented by various divisions involved in all business processes and business positions, so as to achieve process management on internal control risk points via the information platform.

3. Building on the foundation of further sub-dividing business processes, corresponding amendments to staff position descriptions and division of duties were made and delegation authorities given to key staff positions involved in internal control were clearly defined, which contributed to the actual implemented of delegation control on staff positions as part of internal control.

4. By streamlining the division of duties, the Company amended and supplemented 9 corporate management policies, in particular the management policies and documentation templates involving risk control points. These were then linked to the process and staff position documentation available in the information platform as direct reference for carrying out regulated operations by business staff, while also served as reference for internal control assessment and external auditing.

(I) Responsibility Statement on Internal Control and Establishment of Internal Control System *(cont'd)***IV. The implementation of the internal control system** *(cont'd)*

5. The Company implemented internal control to carry out an open and transparent online signature approval process control for risk control points related to financial reporting. Currently, this covers legal person authorization, company stamp usage, budget approval, price approval, sales planning, fee expenses, contract execution and asset disposal, etc., and requires online signature and approval to be performed on the OA office platform in accordance with the internal control policy.
6. The Company organised two inspections on the implementation of contract management policy. Key areas of inspection, including contract accounts, contract authorization (drafting, review, approval, signature, stamping, etc.), counterparty qualification, contract performance, archiving, etc. were inspected on an item-by-item basis. Any incompliance was required to be rectified within a specified timeframe. All divisions were required to create a centralised list of responsible persons for contract account, contract drafting, review, approval and stamping which is filed with the Company, and further to that the online authorization, approval and signature measures were implemented as part of risk prevention and control on the OA office platform in accordance with the internal control policy.

Regulated contract management process had an important effect on implementing internal control as well as protection and preservation of the legal benefits of the Company. The advancement in business process projects and improvement in regulated management policy not only ensured the effectiveness of internal control system implementations and enhanced the overall risk prevention capabilities of the Company, but also enhanced the overall work efficiency and economic operation levels of the Company.

(II) Establishment of internal control on subsidiaries

In accordance with the requirements in the 2012 annual internal control implementation plan approved by the Board of Directors, our two subsidiaries made every effort in improving internal control and achieved significant results:

- (1) In 2012, Shaanxi Beiren completed business process streamlining, improved internal control modules and related management policies, enhanced risk analysis and formulated solutions, and in the meantime substantial amount of tedious foundation work was done to enable the lowering or elimination of risks. In the second half year, the subsidiary completed an earnest self assessment on internal control and carried out deficiency rectification works. The Company guided the subsidiary in implementation of internal control and deficiency rectification, and completed on-site reviews of the implementation and self assessment on internal control carried out by Shaanxi Beiren.
- (2) In 2012, Beiren Fuji completed the preparation, training and trial operation of new product R&D module, financial reporting module, and product sales module. In the second half year, the subsidiary continued to carry out self assessment on internal control and improved its internal control manual, management policies and business processes to the standards required by the internal control policies. The Company guided and checked the subsidiary's implementation of internal control system, as well as the amendments made to the internal control manual and self assessment carried out by Beiren Fuji.
- (3) Beiren Jingyan was converted into a limited liability company starting from 2011, and then became a new company jointly established by various parties including the shareholders and the Institute of Graphic Communication. This project is currently still under progress. Since this project causes rather significant changes in its scope of business, assets, institution and personnel structure, this company does not possess the requisite conditions for implementing regulated internal control. Due to the fact that this company only accounts for 1.48% of the total assets and 1.2% of the total revenue of the parent company, the aggregate impact of internal control risk to the parent company is considered minimal. As such, currently only the heads of business divisions are preliminarily trained, and its inclusion in the scope of internal control will be submitted to the Board of Directors for approval pending its completion of establishing a new company.

- (III) In order to achieve the same unified standard in internal control establishment among the Company and its subsidiaries, and thus stimulating mutual support and progress, in addition to actively pursuing the implementation of internal control by various parties, a meeting on implementation of internal control of the Company was held in October 2012 in Shaanxi Beiren to facilitate exchange of related experiences. Through the learning opportunities and exchange of experiences at the meeting between various parties, work standards on implementation and self assessment of internal control, risk identification and control and prevention measures were further clearly defined. In addition, understandings on the importance of authority delegation management, process management and policy management were enhanced, and mutual exchange and learning in operational information measures and methods were shared and discussed to enhance overall accomplishments.

(I) Responsibility Statement on Internal Control and Establishment of Internal Control System *(cont'd)*

V. 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 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 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 21 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 re-examination 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 on the effectiveness of internal control of the Company and its two subsidiaries, namely, Shaanxi Beiren and Beiren Fuji.

(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 2012 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: organisational 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 omissions.

Each of our two subsidiaries, namely, Shaanxi Beiren and Beiren Fuji, conducted self assessment on the implementation of internal control independently and prepared self assessment reports. No material deficiencies and major deficiencies were identified during the reporting period.

(4) *Procedures and methods of internal control evaluation*

In strict compliance with the requirements of the Basic Standards and the Guidance on 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.

(I) Responsibility Statement on Internal Control and Establishment of Internal Control System *(cont'd)*

V. Self assessment on the implementation of the Company's internal control system during the year *(cont'd)*

2. Self-evaluation of internal control

(4) **Procedures and methods of internal control evaluation** *(cont'd)*

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.

(5) **Internal control deficiencies and their recognition**

In accordance with the recognition requirements of material, major and general deficiencies in the Basic Standards and Guidance on 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 nonfinancial reporting related internal control deficiencies.

- 1) Recognition standards of financial reporting related internal control deficiencies are categorised 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.

(I) Responsibility Statement on Internal Control and Establishment of Internal Control System *(cont'd)*

V. Self assessment on 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)*

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.

2) Recognition standards for non-financial reporting related internal control deficiencies

The Company categorises 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) Rectification of internal control deficiencies

Regarding the regular internal inspection and special inspection of the Company, the inspection team issued a written report on the inspected item which fully reflected a true picture of the various types of deficiencies identified and proposed feasible rectification advice and suggestions as well as the specific completion time and person in charge for the rectification. Concerning other internal control deficiencies identified during the inspection, the Company has taken the appropriate rectification measures. The Company's Audit and Legal Affairs Department, after summarizing and analyzing the results of the inspection and evaluation, reported the internal control deficiencies to the internal control leader group and the Company's management respectively, and conducted a company-wide notification to require relevant units and departments to implement rectification. The various problems identified in each of the units and subsidiaries during self-inspection would have their rectifications organized by relevant departments in charge and the review and verification conducted by the same.

During the reporting period, the Company did not identify any material internal control deficiencies which needed rectification.

(I) Responsibility Statement on Internal Control and Establishment of Internal Control System *(cont'd)*

V. Self assessment on the implementation of the Company's internal control system during the year *(cont'd)*

2. Self-evaluation of internal control *(cont'd)*

(7) **Conclusions on the effectiveness of internal control**

The Company and its two subsidiaries, namely, Shaanxi Beiren and Beiren Fuji, have 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 2012, 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.

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 enhanced and the Company's operational management capabilities in complex internal and external environments was increased substantially, laying a solid foundation for the Company's long term development. The Board of Directors of the Company is of the opinion that, the Company, 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. Based on the self assessment of internal control, the implementation of internal control in all relevant significant aspects related to the financial report as at 31 December 2012 was deemed effective.

This report was considered and approved at the ninth meeting of the seventh Board of Directors on 27 February 2013.

**Board of Directors of
Beiren Printing Machinery Holdings Limited**
27 February 2013

(II) Auditors' Report on Internal Control Over Financial Reporting

Auditors' Report on Internal Control Over Financial Reporting

Xinkuaishibaozi[2013]No.210008

To the Board of Directors 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, 2012 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, 2012, 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 Gui Cheng
Certified Public Accountant of China: Fu Li Zu

Shanghai, China February 27, 2013

(III) Investigation System of Responsibility for Significant Errors in the Annual Report and its Implementation

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 significant information disclosure error in the annual report for the Company.

Auditor's Report

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 and parent's balance sheet and consolidated and parent's statement of changes in owners' equity as at 31 December 2012, and the consolidated and parent's income statement, the consolidated and parent's cash flow statement for the year then ended 2012, 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 ensure 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 auditors' 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 auditors consider 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 and parent's financial position of the Company as at 31 December 2012, and the consolidated and parent's financial performance; the consolidated and parent's cash flows of the Company for the year then ended 2012, 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

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

27th February 2013

CONSOLIDATED BALANCE SHEET

(Prepared under PRC Accounting Standards)
December 31st, 2012

Assets	Appendix	December 31st, 2012	Unit: RMB December 31st, 2011
Current Assets:			
Cash	VII.1	181,154,277.96	161,866,351.06
Tradable Financial Assets			
Notes Receivable	VII.2	23,425,119.81	20,263,400.00
Accounts Receivable	VII.3	192,265,245.43	163,969,806.39
Advances to Suppliers	VII.4	15,824,817.72	30,187,908.20
Interests Receivable			
Dividends Receivable	VII.5	113,600.00	113,600.00
Other Accounts Receivable	VII.6	18,586,901.72	17,583,975.31
Inventory	VII.7	403,659,917.33	422,781,854.19
Non-current Assets Maturing within One Year			
Other Current Assets			
Total Current Assets		835,029,879.97	816,766,895.15
Non-current Assets			
Financial Assets Available for Sale			
Holding to Maturity Investment			
Long-term Accounts Receivable			
Long-term Equity Investment	VII.8	15,935,435.65	15,660,364.86
Investment Property	VII.9	6,556,479.32	6,739,095.77
Fixed Assets	VII.10	498,616,014.96	526,997,541.58
Construction In Progress	VII.11	8,068,949.59	3,179,294.90
Project Materials			
Disposal of Fixed Assets			
Intangible Assets	VII.12	101,464,670.47	104,020,316.25
Development Expenditure			
Goodwill			
Long-term Prepayments	VII.13	9,367,320.00	9,367,320.00
Deferred tax Assets	VII.14		2,711,017.52
Other Non-current Assets			
Total Non-current Assets		640,008,869.99	668,674,950.88
Total Assets		1,475,038,749.96	1,485,441,846.03

Legal Person: **Zhang pei-wu**

Accounting Director: **Jiang chi**

Accounting Manager: **Qin yu**

CONSOLIDATED BALANCE SHEET

(Prepared under PRC Accounting Standards)
December 31st, 2012

Liabilities and Shareholder's Equity	Appendix	December 31st, 2012	Unit: RMB December 31st, 2011
Current Liabilities:			
Short-term Loan	VII.16	313,029,820.99	220,000,000.00
Tradable Financial Liabilities			
Notes Payable	VII.17	24,200,000.00	16,950,000.00
Accounts Payable	VII.18	323,922,570.97	272,997,745.92
Advances from Customers	VII.19	64,992,309.32	88,449,580.42
Employee Benefit Payable	VII.20	54,343,369.05	39,091,724.51
Taxes Payable	VII.21	-335,448.24	-4,129,380.97
Interests Payable	VII.22	1,019,724.67	751,944.17
Dividends Payable			
Other Payables	VII.23	57,728,663.10	41,361,493.75
Non-current Liabilities Maturing Within One Year			
Other Current Liabilities	VII.24	1,250,200.56	2,257,016.55
Total Current Liabilities		840,151,210.42	677,730,124.35
Non-Current Liabilities			
Long-term Loan			
Bonds Payable			
Long-term Accounts Payable			
Special Payable	VII.25	31,282,414.47	31,685,168.05
Estimated liabilities	VII.26	542,407.38	567,607.38
Deferred tax Liabilities			
Other Non-current Liabilities	VII.27	516,075.10	716,275.66
Total Non-current Liabilities		32,340,896.95	32,969,051.09
Total Liabilities		872,492,107.37	710,699,175.44
Shareholder's Equity			
Stock	VII.28	422,000,000.00	422,000,000.00
Capital Reserves	VII.29	522,841,800.72	522,877,777.87
less: Treasury Stock			
Special Reserve			
Surplus Reserves	VII.30	43,172,707.88	43,172,707.88
General Risk Reserves			
Undistributed Profit	VII.31	-400,026,203.80	-231,668,177.08
Converted Difference in Foreign Currency Statements			
Total Shareholder's Equity Attributed to the Parent		587,988,304.80	756,382,308.67
Minority Shareholder's Equity	VII.32	14,558,337.79	18,360,361.92
Total Shareholder's Equity		602,546,642.59	774,742,670.59
Total Liabilities and Shareholder's Equity		1,475,038,749.96	1,485,441,846.03

Legal Person: Zhang pei-wu

Accounting Director: Jiang chi

Accounting Manager: Qin yu

BALANCE SHEET OF THE PARENT

(Prepared under PRC Accounting Standards)
December 31st, 2012

Assets	<i>Appendix</i>	December 31st, 2012	<i>Unit: RMB</i> December 31st, 2011
Current Assets:			
Cash	<i>XVI.1</i>	150,192,182.81	133,470,663.08
Tradable Financial Assets			
Notes Receivable	<i>XVI.2</i>	17,884,090.19	16,108,400.00
Accounts Receivable	<i>XVI.3</i>	115,040,498.31	102,108,162.49
Advances to Suppliers	<i>XVI.4</i>	7,436,015.79	2,001,561.11
Interests Receivable		354,422.23	343,324.17
Dividends Receivable	<i>XVI.5</i>	113,600.00	113,600.00
Other Accounts Receivable	<i>XVI.6</i>	5,832,252.91	7,085,647.86
Inventory	<i>XVI.7</i>	267,067,042.82	289,129,226.98
Non-current Assets Maturing Within One Year			
Other Current Assets	<i>XVI.8</i>	90,000,000.00	95,000,000.00
Total Current Assets		653,920,105.06	645,360,585.69
Non-current Assets			
Financial Assets Available for Sale			
Holding to Maturity Investment			
Long-term Accounts Receivable			
Long-term Equity Investment	<i>XVI.9</i>	165,798,134.91	165,473,064.12
Investment Property	<i>XVI.10</i>	6,556,479.32	6,739,095.77
Fixed Assets	<i>XVI.11</i>	383,247,331.04	406,098,867.03
Construction in Progress	<i>XVI.12</i>	5,801,005.87	2,816,487.16
Project Materials			
Disposal of Fixed Assets			
Productive Biological Assets			
Oil-and-gas Assets			
Intangible Asset	<i>XVI.13</i>	82,609,157.87	84,638,825.87
Development Expenditure			
Goodwill			
Long-term Prepayments	<i>XVI.14</i>	9,367,320.00	9,367,320.00
Deferred tax Assets			
Other Non-current Assets			
Total Non-current Assets		653,379,429.01	675,133,659.95
Total Assets		1,307,299,534.07	1,320,494,245.64

Legal Person: **Zhang pei-wu**

Accounting Director: **Jiang chi**

Accounting Manager: **Qin yu**

BALANCE SHEET OF THE PARENT

(Prepared under PRC Accounting Standards)
December 31st, 2012

Liabilities and Shareholder's Equity	<i>Appendix</i>	December 31st, 2012	<i>Unit: RMB</i> December 31st, 2011
Current Liabilities:			
Short-term Loan	XVI.16	300,000,000.00	210,000,000.00
Tradable Financial Liabilities			
Notes Payable			
Accounts Payable	XVI.17	188,703,531.09	176,242,675.31
Advances from Customers	XVI.18	14,403,680.35	12,730,422.05
Employee Benefit Payable	XVI.19	37,880,698.91	22,320,919.37
Taxes Payable	XVI.20	-1,755,384.69	-4,622,406.84
Interests Payable	XVI.21	1,019,724.67	751,944.17
Dividends Payable			
Other Payables	XVI.22	68,726,711.62	58,521,768.96
Non-current Liabilities Maturing Within One Year			
Other Current Liabilities	XVI.23	1,050,000.00	1,706,815.99
Total Current Liabilities		610,028,961.95	477,652,139.01
Non-Current Liabilities			
Long-term Loan			
Bonds Payable			
Long-term Accounts Payable			
Special Payable	XVI.24	27,866,954.60	25,973,413.38
Estimated liabilities	XVI.25	542,407.38	567,607.38
Deferred tax Liabilities			
Other Non-current Liabilities			
Total Non-current Liabilities		28,409,361.98	26,541,020.76
Total Liabilities		638,438,323.93	504,193,159.77
Shareholder's Equity			
Stock	XVI.26	422,000,000.00	422,000,000.00
Capital Reserves	XVI.27	518,165,762.89	518,165,762.89
less: Treasury Stock			
Special Reserve			
Surplus Reserves	XVI.28	38,071,282.24	38,071,282.24
General Risk Reserves			
Undistributed Profit	XVI.29	-309,375,834.99	-161,935,959.26
Total Shareholder's Equity		668,861,210.14	816,301,085.87
Total Liabilities and Shareholder's Equity		1,307,299,534.07	1,320,494,245.64

Legal Person: Zhang pei-wu

Accounting Director: Jiang chi

Accounting Manager: Qin yu

CONSOLIDATED INCOME STATEMENT

(Prepared under PRC Accounting Standards)
Jan-Dec, 2012

Items	Appendix	Unit: RMB	
		December 31st, 2012	December 31st, 2011
1. Total Operating Income		748,254,409.40	803,873,926.57
Operating Income	VII.36	748,254,409.40	803,873,926.57
2. Total Operating Cost		922,214,968.93	833,516,231.66
Operating Cost	VII.36	616,796,577.32	640,174,781.71
Tax and Additional Expense	VII.37	4,631,097.11	6,017,580.63
Sales Expense	VII.38	69,666,650.83	59,983,930.02
Administration Expense	VII.39	173,349,544.40	109,017,465.08
Financial Expense	VII.40	14,152,324.29	7,937,550.30
Assets Impairment Losses	VII.41	43,618,774.98	10,384,923.92
Add: Income of Fair Value Change (loss marked "-")			
Investment Income (loss marked "-")	VII.42	-918,329.21	206,880.50
Thereinto: Investment Income to Subsidiaries and Joint Venture		-918,329.21	206,880.50
Exchange Gain and Loss (loss marked "-")			
3. Operating Profit (loss marked "-")		-174,878,888.74	-29,435,424.59
Add: Non-operating Income	VII.43	6,603,294.03	44,402,275.63
Less: Non-operating Expense	VII.44	1,159,415.77	1,307,002.50
Thereinto: Disposal Loss of Non-current Assets		112,548.95	1,183,716.93
4. Total Profit (loss marked "-")		-169,435,010.48	13,659,848.54
Less: Income Tax Expense	VII.45	2,711,017.52	30,000.22
5. Net Profit		-172,146,028.00	13,629,848.32
Thereinto: Net Profit Attributed to the Parent's Shareholders		-168,358,026.72	11,382,900.84
Minority Shareholder's Equity		-3,788,001.28	2,246,947.48
6. Earnings Per Share:			
(1) Basic Earnings Per Share	VII.50	-0.40	0.03
(2) Earnings Per Diluted Share	VII.50	-0.40	0.03
7. Other Comprehensive Income			
8. Total Comprehensive Income		-172,146,028.00	13,629,848.32
Total Comprehensive Income of the Parent's Shareholders		-168,358,026.72	11,382,900.84
Total Comprehensive Income of the Minority Shareholders		-3,788,001.28	2,246,947.48

Legal Person: Zhang pei-wu

Accounting Director: Jiang chi

Accounting Manager: Qin yu

INCOME STATEMENT OF THE PARENT

(Prepared under PRC Accounting Standards)
Jan-Dec, 2012

Items	Appendix	Unit: RMB	
		December 31st, 2012	December 31st, 2011
1. Total Operating Income	XVI.33	388,115,225.08	369,919,788.94
less: Operating Cost	XVI.33	331,642,749.31	300,178,592.46
Tax and Additional Expense	XVI.34	2,926,845.62	4,000,154.61
Sales Expense	XVI.35	30,962,967.18	24,818,427.19
Administration Expense	XVI.36	123,884,141.99	63,088,452.00
Financial Expense	XVI.37	7,382,561.97	2,210,606.58
Assets Impairment Losses	XVI.38	38,897,962.74	10,039,314.69
Add: Income of Fair Value Change (loss marked "-")			
Investment Income (loss marked "-")	XVI.39	-918,329.21	206,880.50
Thereinto: Investment Income to Subsidiaries and Joint Venture		-918,329.21	206,880.50
2. Operating Profit (loss marked "-")		-148,500,332.94	-34,208,878.09
Add: Non-operating Income	XVI.40	1,172,502.88	39,054,367.19
Less: Non-operating Expense	XVI.41	112,045.67	85,401.56
Thereinto: Disposal Loss of Non-current Assets		66,467.30	
3. Total Profit (loss marked "-")		-147,439,875.73	4,760,087.54
Less: Income Tax Expense			
4. Net Profit		-147,439,875.73	4,760,087.54
5. Earnings Per Share:			
(1) Basic Earnings Per Share			
(2) Earnings Per Diluted Share			
6. Other Comprehensive Income			
7. Total Comprehensive Income		-147,439,875.73	4,760,087.54

Legal Person: Zhang pei-wu

Accounting Director: Jiang chi

Accounting Manager: Qin yu

CONSOLIDATED CASH FLOW STATEMENT

(Prepared under PRC Accounting Standards)
Jan-Dec, 2012

Items	Appendix	Unit: RMB	
		December 31st, 2012	December 31st, 2011
1. Cash Flow From Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		570,436,378.76	698,249,848.82
Receipts of taxes and levy refunds		361,600.63	830,970.19
Other Cash receipts in operating activities	VII.51	17,177,805.64	58,168,213.98
Subtotal Cash Flow-in From Operating Activities		587,975,785.03	757,249,032.99
Cash payments for goods and services acquired		299,771,119.80	468,248,461.97
Cash payments to and on behalf of employees		214,407,658.87	199,598,997.58
Payments of taxes and levy		40,392,897.05	55,884,465.57
Other cash payments from Operating Activities	VII.51	80,544,290.68	54,415,236.93
Subtotal Cash Flow-out From Operating Activities		635,115,966.40	778,147,162.05
Net Cash Flow From Operating Activities		-47,140,181.37	-20,898,129.06
2. Cash Flow From Investment Activities:			
Cash receipts from return of investments		249,051.91	
Cash receipts from investment income			
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets		8,320.00	28,146,285.00
Net cash receipts from disposal of subsidiaries and other business units			
Other cash receipts in investment activities			
Total Cash Flow-in From Investment Activities		257,371.91	28,146,285.00
Cash payments to acquired fixed assets, intangible assets and other long-term assets		6,948,669.26	7,460,473.06
Cash payments to acquired investments		1,243,400.00	
Net Increased pledge loan			
Net cash payment to acquired subsidiaries and other business units			
Other cash payments in investment activities			
Total Cash Flow-out From Investment Activities		8,192,069.26	7,460,473.06
Net Cash Flow From Investment Activities		-7,934,697.35	20,685,811.94
3. Cash Flow From Financing Activities:			
Cash proceeds from absorbing investment			
Thereinto: cash receipts from absorbing minority shareholders' investment by subsidiary		313,029,820.99	227,000,000.00
Cash receipts from borrowings			
Cash receipts from bonds issuing		8,000,000.00	
Other cash receipts in financing activities	VII.51		
Total Cash Flow-in From Financing Activities		321,029,820.99	227,000,000.00
Cash repayments of amount borrowed		220,000,000.00	164,750,000.00
Cash payments for distribution of dividends, profits or interest expenses		13,377,545.94	10,464,595.41
Thereinto: subsidiary's payment for minority shareholders' interest and profit			
Other cash payments in financing activities	VII.51	16,250,000.00	5,412,402.69
Subtotal Cash Flow-out From financing Activities		249,627,545.94	180,626,998.10
Net Cash Flow From Financing Activities		71,402,275.05	46,373,001.90
4. Effect of exchange rate change on cash and cash equivalent		-14,866.74	-74,321.76
5. Net Increased Cash and Cash Equivalent	VII.51	16,312,529.59	46,086,363.02
Add: the Beginning Balance of Cash and Cash Equivalent	VII.51	156,591,748.37	110,505,385.35
6. The Ending Balance of Cash and Cash Equivalent	VII.51	172,904,277.96	156,591,748.37

Legal Person: Zhang pei-wu

Accounting Director: Jiang chi

Accounting Manager: Qin yu

CASH FLOW STATEMENT OF THE PARENT

(Prepared under PRC Accounting Standards)
Jan-Dec, 2012

Items	Appendix	Unit: RMB	
		December 31st, 2012	December 31st, 2011
1. Cash Flow From Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		308,184,395.13	352,163,873.07
Receipts of taxes and levy refunds		15,981.49	133,002.96
Other Cash receipts relating to operating activities	XVI.46	9,804,716.03	53,395,561.01
Subtotal Cash Inflow From Operating Activities		318,005,092.65	405,692,437.04
Cash payments for goods and services acquired		153,726,379.01	218,969,963.92
Cash payments to and on behalf of employees		133,562,602.62	116,026,278.85
Payments of taxes and levy		22,566,722.54	29,834,371.30
Other cash payments relating to Operating Activities	XVI.46	73,688,239.32	47,916,716.56
Subtotal Cash Outflow From Operating Activities		383,543,943.49	412,747,330.63
Net Cash Flow From Operating Activities		-65,538,850.84	-7,054,893.59
2. Cash Flow From Investment Activities:			
Cash receipts from return of investments		95,249,051.91	
Cash receipts from investment income			
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets		7,000.00	28,058,355.00
Net cash receipts from disposal of subsidiaries and other business units			
Other cash receipts in investment activities	XVI.46	6,000,259.72	3,691,381.68
Total Cash Inflow From Investment Activities		101,256,311.63	31,749,736.68
Cash payments to acquired fixed assets, intangible assets and other long-term assets		5,020,592.26	2,050,650.01
Cash payments to acquired investments		91,243,400.00	95,000,000.00
Net cash payment to acquired subsidiaries and other business units			
Other cash payments in investment activities			
Total Cash Outflow From Investment Activities		96,263,992.26	97,050,650.01
Net Cash Flow From Investment Activities		4,992,319.37	-65,300,913.33
3. Cash Flow From Financing Activities:			
Cash proceeds from absorbing investment			
Cash receipts from borrowings		300,000,000.00	210,000,000.00
Cash receipts from bonds issuing			
Other cash receipts in financing activities			
Total Cash Inflow From Financing Activities		300,000,000.00	210,000,000.00
Cash repayments of amount borrowed		210,000,000.00	70,000,000.00
Cash payments for distribution of dividends, profits or interest expenses		12,722,288.83	8,324,398.35
Other cash payments in financing activities			
Subtotal Cash Outflow From financing Activities		222,722,288.83	78,324,398.35
Net Cash Flow From Financing Activities		77,277,711.17	131,675,601.65
4. Effect of exchange rate changes on cash and cash equivalent		-9,659.97	-71,410.02
5. Net Increased In Cash and Cash Equivalent		16,721,519.73	59,248,384.71
Add: the Beginning Balance of Cash and Cash Equivalent	XVI.46	133,470,663.08	74,222,278.37
6. The Ending Balance of Cash and Cash Equivalent	XVI.46	150,192,182.81	133,470,663.08

Legal Person: Zhang pei-wu

Accounting Director: Jiang chi

Accounting Manager: Qin yu

CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

(Prepared under PRC Accounting Standards)
Jan-Dec, 2012

Unit: RMB

Items	Amount for the Current Period									
	Capital Share	Capital Reserves	less: Treasury Stock	Special Reserve	Surplus Reserves	Business Risk Reserve	Undistributed Profit	Others	Minority Shareholder's Equity	Total Shareholder's Equity
1. The ending balance for last year	422,000,000.00	522,877,777.87			43,172,707.88		-231,668,177.08		18,360,361.92	774,742,670.59
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		-231,668,177.08		18,360,361.92	774,742,670.59
3. Increase and decrease for this year (decrease represents as "-")										
(1) Net profit	-	-35,977.15	-	-	-		-168,358,026.72		-3,802,024.13	-172,196,028.00
(2) Profits and losses directly recorded in shareholder's equity							-168,358,026.72		-3,788,001.28	-172,146,028.00
Subtotal of (1) and (2)	-	-	-	-	-		-168,358,026.72		-3,788,001.28	-172,146,028.00
(3) Shareholders Investing and Reducing Capital										
I. Shareholders investing capital		-35,977.15							-14,022.85	-50,000.00
II. Shares payment in shareholder's equity										-
III. Others		-35,977.15							-14,022.85	-50,000.00
(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	522,841,800.72	-	-	43,172,707.88		-400,026,203.80		14,558,337.79	602,546,642.59

Legal Person: **Zhang pei-wu**

Accounting Director: **Jiang chi**

Accounting Manager: **Qin yu**

CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

(Prepared under PRC Accounting Standards)
Jan-Dec, 2012

Unit: RMB

Items	Amount for the Period of the Last Year									
	Capital Share	Capital Reserves	less: Treasury Stock	Special Reserve	Surplus Reserves	Business Risk Reserve	Undistributed Profit	Others	Minority Shareholder's Equity	Total Shareholder's Equity
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 "-")	-	-	-	-	-	-	11,382,900.84	-	2,246,947.48	13,629,848.32
(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 pei-wu**

Accounting Director: **Jiang chi**

Accounting Manager: **Qin yu**

STATEMENT OF MOVEMENT ON EQUITY OF THE PARENT

(Prepared under PRC Accounting Standards)

Jan-Dec 2012

Unit:RMB

Items	Amount for the Current Period							Total Shareholder's Equity
	Capital Share	Capital Reserves	less: Treasury Stock	Special Reserve	Surplus Reserves	Business Risk Reserve	Undistributed Profit	
1. The ending balance for last year	422,000,000.00	518,165,762.89			38,071,282.24		-161,935,959.26	816,301,085.87
Add: Changes in Accounting Policies								-
Corrections for previous errors								-
Others								-
2. The beginning balance of this year	422,000,000.00	518,165,762.89	-	-	38,071,282.24	-	-161,935,959.26	816,301,085.87
3. Increase and decrease for this year (decrease represents as '-')	-	-	-	-	-	-	-147,439,875.73	-147,439,875.73
(1) Net profit							-147,439,875.73	-147,439,875.73
(2) Profits and losses directly recorded in shareholder's equity								-
Subtotal of (1) and (2)	-	-	-	-	-	-	-147,439,875.73	-147,439,875.73
(3) Shareholders Investing and Reducing Capital	-	-	-	-	-	-	-	-
I. Shareholders investing capital								-
II. Shares payment in shareholder's equity								-
III. Others								-
(4) Profit distribution ("-" stated for decrease)	-	-	-	-	-	-	-	-
I. Provision of Surplus Reserve								-
II. Provision for Business Risk								-
III. Distribution for Shareholders								-
IV. Others								-
(5) Shareholder's Equity Internal transfer	-	-	-	-	-	-	-	-
I. Capital Reserve transfer to Capital (or Share Capital)								-
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	-	-309,375,834.99	668,861,210.14

Legal Person: **Zhang pei-wu**

Accounting Director: **Jiang chi**

Accounting Manager: **Qin yu**

STATEMENT OF MOVEMENT ON EQUITY OF THE PARENT

(Prepared under PRC Accounting Standards)
Jan-Dec 2012

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	518,165,762.89			38,071,282.24		-166,696,046.80	811,540,998.33
Add: Changes in Accounting Policies								-
Corrections for previous errors								-
Others								-
2. The beginning balance of this year	422,000,000.00	518,165,762.89	-	-	38,071,282.24	-	-166,696,046.80	811,540,998.33
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							4,760,087.54	4,760,087.54
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	422,000,000.00	518,165,762.89	-	-	38,071,282.24	-	-161,935,959.26	816,301,085.87

Legal Person: **Zhang pei-wu**

Accounting Director: **Jiang chi**

Accounting Manager: **Qin yu**

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

I. General

Beiren Printing Machinery Holdings Company Limited (the “Company”, if includes subsidiaries, it refers as the “Group”) 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 RMB 1 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 and 100,000,000 shares are offshore public issues. All shares are with par value RMB 1 Yuan.

In accordance with the “Decision on the share right reformation of Beiren Printing Machinery Holdings Limited”, 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, which accounts for 4.98% of total share rights hold by the Group. Up to 31 Dec 2011, Beiren Group Corporation has hold the state-owned institutional shares 201,620,000, as 47.78% of total share rights, which are all unconditioned floating shares; 120,380,000 shares which are 28.52% of the total share rights are unconditioned inland public shares and unconditioned offshore public shares are 100,000,000 shares as 23.70% of the total share rights.

The Company’s controlling shareholder Beiren Group Corporation has signed “the agreement of free of charge transfer of share equity between Beijing National Capital Mechanical And Electrical Holding Company Limited and Beiren Group Corporation” with Beijing National Capital Mechanical And Electrical Holding Company Limited which is The Company’s beneficial controller on 16 June 2012. Beiren Group Corporation has transferred the Company’s 201,620,000 unpaid A shares from its own holdings to Beijing National Capital controller, after the transformation, the Company’s total share rights is unchanged. Beijing National Capital controller has hold 201,620,000 shares which are 47.78% of total share rights; it is the Company’s controlling shareholder. The unpaid transfer of share rights has been approved by the Committee of State-owned Assets Supervision and Administration of State Council on 1 Sept 2012. The Company has received Shanghai Branch Registrar Confirmation Letter of the China Securities Depository and Clearing Limited Company, the relevant process has been completed.

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.

The financial statements have been prepared on the basis of Accounting Standards for Business Enterprises – Basic Standards and 38 detailed accounting standards which was published on 15 Feb 2006 by the Ministry of Finance Department and following published Accounting Standards instructions, explanations and other related standards for Business Enterprise (Accounting Standards for Business Enterprise), the Committee of China Securities Supervision and Administration “public offering of company’s information disclosure regulation NO. 15-General regulations for financial statements” (revised in 2010).

At the meantime, the financial statements are also complied with the requirements of disclosure of Hong Kong Enterprise regulations and suitable disclosure regulations from listing rules of stock exchange in Hong Kong Stock exchange Limited Company.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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 31st December 2012 and operation results, cash flow and other related information for year 2012.

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

1. Accounting period

The accounting period of the Group is from 1st January to 31st 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 some financial instruments and investment properties which are measured at fair value. If the assets are impaired, the relevant impairments need to be accrued.

4. Method of preparing consolidated financial statements

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.

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.

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

7. Financial Instruments

(1) The Classification of Financial assets and Financial liabilities

In accordance with the investment purpose and the 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 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 in short term. Except if the derivative is designated and held as an effective hedging instrument.

- 2) Financial investments held-to-maturity refers to those non-derivative financial assets with fixed maturity date, fixed or known return and the management has the obvious intention, capability to hold it until maturity date.
- 3) Loans and receivables are non-derivative financial assets with fixed or known return but no quotation in the active market.
- 4) Financial assets available-for-sale include non-derivative financial assets designated as financial assets available-for-sale initially and other financial assets not classified.

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

The other financial liabilities are non-derivative financial liability other than financial liabilities at fair value through profit and loss.

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

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 the changes in fair value recorded through profit and loss. According to subsequent fair value measurement, changes in fair value through profit or loss and financial liability related interests gain or loss are accounted into profit and loss for the period.

(3) Initial recognition and measurement of financial assets and financial liabilities

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 into 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 following situations:

- Held to maturity investment, loans and receivables and other financial liabilities are measured at amortized cost by using effective interest rate;
- 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;

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

7. Financial Instruments *(cont'd)*

(4) Subsequent measurement of financial assets and financial liabilities *(cont'd)*

The Group shall measure financial assets and financial liabilities at fair value through profit or loss based on the following methods, except for hedging instruments:

- 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. If the financial assets is derecognized or transferred out when impaired, shall be recognized as investment income in income statement.

(5) Fair value measurement considerations

Fair value is the amount for which an asset could be exchanged or liability could be paid off between knowledgeable, willing parties in 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.

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 should be used 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 financial assets, either transfer or retain the rights of risk and rewards, but the Group has already given up the right to control financial assets.

When the current obligation of financial liability is extinguished fully or partly, the Group should derecognize the financial liability fully or partly.

(7) Impairment of Financial Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence of impairment of financial assets or group of financial assets other than those at FVTPL (fair value through profit or loss). In case of fair value of financial assets available for sale decreased dramatically or permanently, the accumulated loss caused used to be recorded in shareholder's equity will be moved to impairment loss. For confirmed impairment loss of equity instrument investment available for sale: if fair value increased and is related to events after impairment loss occurred then the impairment loss should be transferred back to shareholder's equity.

When financial assets measured at amortized cost impaired: reduce the book value of the financial asset to present value of estimated future cash flow (not include future credit loss). The reduced amount is recognized as asset impairment loss and recorded in the profit or loss. If there is objective evidence to prove that the value of the financial assets has recovered and is related to events after impairment loss occurred, then, the recognized loss can be transferred back and recorded in profit or loss.

If there is no offer for equity instruments investment in active market and its fair value can't be reliably measured when impairment loss occurred and the recovery in future cannot be transferred back.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

(8) Accounts receivable

The Group recognize the bad debt of receivables 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 allowance method 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) Accounts receivable that are individually insignificant but are individually provided for bad debts

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.

(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
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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) Accounts receivable that are individually insignificant but are provided for bad debts on individual basis

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.

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

9. Inventory *(cont'd)*

At the end of period, inventory is measured as lower of historical cost and net realizable value. When net realizable value of inventory is 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.

10. Long-term equity investment

Long-term equity investment mainly includes long term equity investment to subsidiaries from the Company; the Group's long-term equity investment in both joint ventures and associates; equity investments which are either with 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 polices-making. The evidence of significant influence is the direct ownership or indirect ownership through subsidiaries or from 20% up to 50% voting rights from investees otherwise there must be solid evidence showing investors cannot be involved in investees' decision making under such conditions.

(2) Initial measurement

For the combination of enterprises under the same control, on the date of combination, regard the share of the book value of the owner's equity of the combination 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 the combination of enterprise not under the same control, 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 goodwill. The negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree is accounted into current profit and loss account after the confirmation.

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.

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

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, as financial assets available-for-sale.

Under the cost method, if the long-term equity reinvestment or investment refund is incurred, the long term equity investment cost shall be adjusted. The apportioned profit or cash dividends acquired from investees shall be recognized as current investment income.

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; Long term equity investment can operate control over investees by reinvestment, 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 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 sheet 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. If other equity investment has impairments, the difference between the present value of future cash flow and book value of investment shall be recognized as impairment losses on the basis of similar financial assets market return rate, the impairment losses are accounted into current profit and loss account and also account provision for long-term investment impairment loss. The above impairment loss for long-term investment impairment loss cannot be reversed in subsequent accounting period.

11. Investment property

The investment property 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 property is recognized at initial cost. The cost of an investment property by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset. The cost of a self-built investment property composes of the necessary expenses for building the asset to the necessary condition for use. If the subsequent expense is related to investment property that can bring economic benefit into the Group and expense can be measured reliably, it shall be include into the cost of investment property; otherwise, it shall be accounted into current profit and loss account.

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

11. Investment property *(cont'd)*

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

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

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

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

If an investment property is disposed of, or if it withdraws permanently from use and if no economic benefit will be obtained from the disposal, the investment property shall be derecognized. When an enterprise sells, transfers or disposes of any investment property, or when any investment property is damaged or destroyed, the enterprise shall deduct the book value of the investment property 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 property is lower than its book value, the carrying amount will be subject to the recoverable value. The impairment loss of investment property 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. The cost of purchased fixed assets includes the purchasing price, import duty and other relevant taxes and other expenditures directly attributable to assets for bring them into the conditions ready for use. The cost of self-made fixed assets includes the necessary expenditures for bring the assets into the conditions ready for 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 lease payment 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 or cost of assets in accordance with the purposes of fixed assets. The estimated residual value rate, depreciation rate and the useful life applied by the Group are as follows:

Classification	Useful life (year)	The rate of residual 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 each year. If any changes occur, they will be regarded as changes on accounting estimates.

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

12. Fixed assets *(cont'd)*

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 which includes all type of expense for the progress during the period. 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 and other related expenses.

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, it is not necessary to adjust the amount of depreciation and amortization that have already been accrued.

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.

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. The capitalization rate is determined by weighted average 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 fixed assets, investment properties 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.

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

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 under contracts or agreements but if the value from contracts or agreements is not fair, the fair value will be applied.

The Group amortizes intangible assets with limited life by straight line method since it is acquired. The land use right is amortized 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.

There is no amortization for intangible assets with uncertain useful life, impairment test shall be carried out at end of accounting period. The Group assesses estimate useful life of intangible assets with uncertain useful life at 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 end of each year. For the intangible assets with uncertain useful life, Group will perform impairment test regardless whether there is evidence to indicate impairment loss.

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

16. Research and Development expenditures

For the research and development expenditures 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.

The expenditures in research phase are accounted into current profit and loss.

The expenditures in development phase are recognized as intangible assets if they meet the following conditions:

- (1) It is feasible to sell or use the intangible asset technically;
- (2) The intention is to sell or use the intangible asset;
- (3) The market is available for products from the intangible asset or the intangible asset itself.
- (4) The 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 development expenditures in previous accounting period cannot be recognized as the asset in later accounting period. The capitalized expenditures in development phase are presented as development expenditures 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.

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, investment property based on cost model, fixed assets, and construction in progress on each balance sheet date. The impairment could occur for the impairment indicators. The Group should make impairment tests.

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 recoverable amount, then, the difference is recognized as impairment loss. Assts' recoverable 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 prepayments of the Group refer 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 prepayments cannot benefit the later periods, the amortized price will be accounted into current profit and loss.

19. Employee benefits

Employee benefits 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 Group shall recognize the compensation payable as liabilities., the related costs and expenses shall be recorded for each beneficial party. The compensations for the termination of the labor relationship 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.

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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 contingent liabilities. The requirements mentioned above are as follows: The assumed responsibilities are current liability. The fulfilment 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 related risks, uncertainties and time value of money etc. If the effect from time value of money is significant, the most appropriate estimation will be discounted into present value. As time goes on, the book value of estimated liabilities is increased by the discount reduction; the increased amount is recognized as interest expense.

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 selling goods

Before accept new client, the Group shall evaluate credit quality of possible client by internal credit evaluation policy to choose client, the credit limit is not determined. For local sale, the Group shall recognize receivable and operation revenue based on the percentage of revenue that is reaching the condition of examines goods and delivers to client, and start to calculate aging; for international sale, the Group shall recognize receivable and operation revenue based on the date of customs declaration, and starts to calculate aging.

(2) The revenue from rendering service

It 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

The revenue from the property alienation will be recognized by the receive date and method under the related contract or agreement. 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 at actual received amount; if the amount is fixed, it is measured at 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.

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.

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

23. Deferred tax assets and deferred tax liabilities

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. The temporary difference of initial recognition of goodwill shall not be recognized as deferred tax liabilities. The temporary difference is caused by the initial recognition of assets and liabilities from non-enterprise combination which is not influence profits and tax payables, it shall not be recognized as deferred tax asset and liabilities. On the balance sheet date, the deferred tax assets and liabilities are measured by the applicable tax rate when the assets predict to be returned or liabilities can be repaid.

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.

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 rewards 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 lease payment. The minimum lease payment 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 rental expense into related asset's cost or current profit and loss account by straight line method during the term of the lease. The initial direct expense is accounted into current profit and loss account. The rental expense is accounted into current profit and loss account when it actually incurred.

The Group, as a leaser, accounts the rental income as revenue by straight line method during the term of the lease. The significant amount of initial direct expense needs to be capitalized, and split the amount into current profit and loss account during the lease term based on the same confirmation of rental income. Rent is accounted into current profit and loss account when it incurred.

25. Income tax accounting

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

When prepare financial statements, the management 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. The change in accounting estimation only reflect in the current period, the influence need to be recognized in the current period; the change in accounting estimation reflect both current and future period, the influence need to be recognized in both current and future period.

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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	5
Estate Tax	Lease income and 70-80% of the estate's original value	1.2 & 12
Corporate Income Tax	Taxable income	25

Corporate 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 9th Oct. 2011, and the certificate with No. GF201161000113 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 corporate income tax.

3. Changes in taxation and taxation preferential policy

There is no change in taxation and taxation preferential policy in contrast to previous period.

VI. CONSOLIDATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. Major subsidiaries

Unit: 10'000

Company	Nature	Registration Location	Operation location	Business Type	Registered Capital (RMB'000)	Operating Scope	Investment Amount (RMB'000)	Investment to the Subsidiary	Share-holding (%)	Voting Right (%)	Legal representative	Registration code	Consolidated (Yes/Not)	Amount for Written-off Income/ Loss in Minority Interest
Subsidiaries acquired under non-common control														
Shaanxi Beiren Printing Machinery Co., Ltd. (Shaanxi Beiren)	Limited company	Weinan City, Shaanxi Province	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	Zhang Pei WU	709915614	Yes	-2,349,129.91
Other Acquired Subsidiaries														
Beijing Beiren Fuji Printing Machinery Co., Ltd. (Beiren Fushi)	Sino-Foreign Equity Joint Venture Enterprise	Chaoyang District, Beijing City	Chaoyang District Beijing City	Manufacture	USD 510	Manufacture printing machine, selling self-manufactured products	2,963.27	0.00	70.00	70.00	Zhang Peiwu	600040954	Yes	-1,439,871.37
Beijing Beiren Jingyan Printing Machinery Factory (Beiren Jingyan)	Limited Liability Company	Yanqing Country, Beijing City	Yanqing Country Beijing City	Manufacture	2,105	Manufacturing printing machine and relevant components, providing relevant technical consulting services	2,105.00	0.00	100.00	100.00	Kong Dagang	103047696	Yes	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

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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 1st January, 2012, “the end of the period” refers to 31th December, 2012, “this period” refers to the year from 1st January 2012 to 31th December, 2012, “last period” refers to the year from 1st January 2012 to 31th December, 2012, and the monetary unit is CHY.

1. Cash

Item	31st Dec 2012			1st Jan 2012		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Cash on hand			9,579.69			10,449.33
Inc.CHY	9,514.60		9,514.60	10,377.07		10,377.07
JPY	891.00	0.0730	65.09	891.00	0.0811	72.26
Cash in bank			172,894,698.27			156,581,299.04
Inc.CHY	172,681,361.52		172,681,361.52	155,947,530.11		155,947,530.11
USD	16,943.93	6.2855	106,501.07	82,754.89	6.3009	521,430.30
HKD	76,410.51	0.8108	61,953.64	76,413.85	0.8107	61,948.71
JPY	613,627.67	0.0730	44,794.82	620,262.00	0.0811	50,305.11
EUR	10.49	8.3176	87.22	10.39	8.1625	84.81
Other			8,250,000.00			5,274,602.69
CHY	8,250,000.00		8,250,000.00	5,274,602.69		5,274,602.69
Total	-	-	181,154,277.96	-	-	161,866,351.06

Note: As at 31st December 2012, the majority part of other monetary funds is bank acceptance notes guarantee.

2. Notes receivable

(1) Category

Category	31st Dec 2012	1st Jan 2012
Bank acceptance notes	23,425,119.81	20,263,400.00

(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	Dongguan Huali Industrial Co., Ltd.	2012.12.24	2013.03.19	1,141,029.62
Bank acceptance notes	Jiangxi Blue Ocean International Trade Co., Ltd.	2012.07.02	2013.01.02	3,530,000.00
Bank acceptance notes	Henan dream Foods Co., Ltd.	2012.12.28	2013.05.26	2,000,000.00
Bank acceptance notes	Jiangxi Blue Ocean International Trade Co., Ltd.	2012.07.02	2013.01.02	1,820,000.00
Bank acceptance notes	Henan Highway Engineering Materials Co., Ltd.	2012.10.23	2013.04.23	1,000,000.00
Total		-	-	9,491,029.62

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(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

3. Accounts receivable

Items	31st Dec 2012	1st Jan 2012
Accounts receivable	294,010,327.55	262,749,341.69
Less: Bad debts	101,745,082.12	98,779,535.30
Total	192,265,245.43	163,969,806.39

(1) Aging of accounts receivable

Prior to client acceptance, the Group evaluate the credibility of the potential client using the Group's internal credit evaluation policies, with no specific credibility time limit. For domestic sales, the Group, according to the contract, when the receipts percentage meet the requirements of inspection, starts to recognize accounts receivable and operating revenue when goods delivered to the customers, at the same time starts to age the accounts receivable. For export sales, the Group, starts to recognize accounts receivable and operating revenue at the declaration day of the Customs, at the same time starts to age the accounts receivable. And the aging analysis for the accounts receivable is listed below:

Items	31st Dec 2012	1st Jan 2012
Within 1 year	152,533,965.75	134,355,281.22
1-2 years	32,325,453.67	20,429,611.80
2-3 years	7,405,826.01	9,184,913.37
Over 3 years	0.00	0.00
Total	192,265,245.43	163,969,806.39

(2) Classification for accounts receivable

Category	31st Dec 2012				1st Jan 2012			
	Book value Amount	Percent%	Bad debts Amount	Percent%	Book value Amount	Percent%	Bad debts Amount	Percent%
Accounts receivable that are individually significant and are provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable that are provided for bad debts on portfolio basis	-	-	-	-	-	-	-	-
Aged group	284,847,912.55	96.88	99,576,840.72	34.96	233,755,982.82	88.97	90,390,459.29	38.67
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	9,162,415.00	3.12	2,168,241.40	23.66	28,993,358.87	11.03	8,389,076.01	28.93
Total	294,010,327.55	100.00	101,745,082.12	-	262,749,341.69	100.00	98,779,535.30	-

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 (cont'd)

(2) Classification for accounts receivable (cont'd)

1) Accounts receivable that are individually insignificant but are individually provided for bad debts

Company Name	Amount	Bad debts provision	Rate (%)	Reason for bad debts provision
Note 1	5,234,706.73	2,168,241.40	41.42	Difficult to collect
Note 2	3,927,708.27	0.00	0.00	
Total	9,162,415.00	2,168,241.40		

Note 1: A subtotal amount of RMB 5,234,706.73 accounts receivable comprising 15 long-aged items is judged as difficult to fully collect and the bad debts provision amounted RMB 2,168,241.40 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. The accounting receivables amount is 3,927,708.27 RMB and the provision of bad debts has not been made on them.

2) Aging of accounts receivable within the group

Item	31 Dec 2012			1 Jan 2012		
	Amount	Percent(%)	Bad debts provision	Amount	Percent(%)	Bad debts provision
Within 1 year	160,987,063.79	56.52	0.00	113,750,998.36	48.66	0.00
1-2 years	28,738,327.19	10.09	8,621,498.16	29,185,159.71	12.49	8,755,547.91
2-3 years	10,417,947.53	3.65	6,250,768.52	22,962,283.42	9.82	13,777,370.05
Over 3 years	84,704,574.04	29.74	84,704,574.04	67,857,541.33	29.03	67,857,541.33
Total	284,847,912.55	100.00	99,576,840.72	233,755,982.82	100.00	90,390,459.29

(3) Accounts receivables aging over 1 year with no impairment

Items	31st Dec 2012	1st Jan 2012
1-2 years	2,331,515.67	12,564,444.94
2-3 years	944,729.60	6,834,956.60
3-4 years	0.00	0.00
Total	3,276,245.27	19,399,401.54

Note: The overdue accounts receivables with no impairment relate with some independent customers, who has good credit history with the Group. Due to previous experience, the board of directors see no point in making provision for impairment in these accounts, which is because the credibility of these customers would not significantly change and the overdue balance is considered fully collectable.

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

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 (cont'd)

(5) Accounts receivables written off during this period are 2,798,904.57 RMB.

Name	Nature of accounts receivable	Amount written off	Reasons for written off	Whether arising from related party transactions?
Sichuan Guodong Construction Co., Ltd.	Receivables for selling goods	1,834,554.40	Uncollectible	No.
The Kunshan Jiapu Packaging Materials Co., Ltd.	Receivables for selling goods	71,750.00	Uncollectible	No.
Jiangsu Huaiyin new products Co., Ltd.	Receivables for selling goods	18,455.00	Uncollectible	No.
Chongqing Dingsheng Printing Co., Ltd.	Receivables for selling goods	50,000.00	Uncollectible	No.
Fujian Mingguan Packaging Materials Co., Ltd.	Receivables for selling goods	400,000.00	Uncollectible	No.
Nanyang Taurus Color Printing Group Co., Ltd.	Receivables for selling goods	10,000.00	Uncollectible	No.
Huaxin (Foshan) Color Printing Co., Ltd.	Receivables for selling goods	55,546.42	Uncollectible	No.
The Xiamen Sanyin Color Printing Co., Ltd.	Receivables for selling goods	75,000.00	Uncollectible	No.
The Guangxi Rongxian Fengcai Printing Co., Ltd.	Receivables for selling goods	14,760.00	Uncollectible	No.
Dongguan Huali Chengdu branch	Receivables for selling goods	52,549.12	Uncollectible	No.
Liaoning Venda Printing Materials Co., Ltd.	Receivables for selling goods	216,289.63	Uncollectible	No.
Total		2,798,904.57		

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

(7) The top five customers of accounts receivable:

Company Name	Relationship	Amount	Age	Proportion in Accounts Receivable (%)
The Fujian Daily (Quanzhou) Printing Co., Ltd.	Customer	9,060,000.00	Within 1 year	3.08
Linyi Daily	Customer	8,285,000.00	Within 1 year: 4,305,000.00 1-2 years: 3,980,000.00	2.82
Henan national flower color Packing Co., Ltd.	Customer	7,528,000.00	Within 1 year	2.56
Kaifeng Daily	Customer	6,020,000.00	Within 1 year	2.05
Xuanhua new north decorating Printing Co., Ltd., Zhangjiakou	Customer	6,000,000.00	Within 1 year	2.04
Total		36,893,000.00		12.55

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 (cont'd)

(8) The balance of accounts receivable from related parties:

Company Name	Relationship	Amount	Proportion in Accounts Receivable (%)
Beijing Beiyong Molding Co., Ltd.	Associates	1,101,766.17	0.37

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

Foreign currency	Foreign currency	31 Dec 2012 Exchange rate	RMB	Foreign currency	1 Jan 2012 Exchange Rate	RMB
USD	1,327,677.49	6.2855	8,345,116.88	611,033.00	6.3009	3,857,628.35

4. Advance to suppliers

(1) Aging of advances to suppliers

Item	31 Dec 2012 Amount	Percentage%	1 Jan 2012 Amount	Percentage%
Within 1 year	12,768,533.39	80.69	28,554,361.99	94.59
1-2 years	2,883,769.58	18.22	1,370,283.53	4.54
2-3 years	54,500.00	0.34	5,445.02	0.02
Over 3 years	118,014.75	0.75	257,817.66	0.85
Total	15,824,817.72	100.00	30,187,908.20	100.00

(2) The main units of advance to suppliers

Name	Relationship with the Group	Amount	Aging	Reasons for pending
Heng Yuanli Packaging Technology Co., Ltd.	company's suppliers	1,580,000.00	within a year	goods not delivered
Mai Beige Machine Manufacturing (Shanghai) Co., Ltd.	company's suppliers	600,000.00	within a year	goods not delivered
Beijing Wei Bokang Science and Technology Development Co., Ltd.	company's suppliers	913,719.16	within a year	goods not delivered
Beijing Bell Institute for New Technologies	company's suppliers	250,000.00	within a year	goods not delivered
Shanghai Boshi Li Shile Hydraulics and Automation Co., Ltd.	company's suppliers	648,582.93	within a year	goods not delivered
Total		3,992,302.09		

(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	Foreign currency	31 Dec 2012 Exchange rate	RMB	Foreign currency	1 Jan 2012 Exchange Rate	RMB
JPY	0.00	0.0730	0.00	1,530,000.00	0.0811	127,684.62

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

5. Dividends receivable

Items	1 st Jan 2012	Increase	Decrease	31 st Dec 2012	Reasons for not yet recovered	Whether impaired?
Within 1 year	0.00	0.00	0.00	0.00	—	—
Over 1 year	113,600.00	0.00	0.00	113,600.00	Funding constraints	No.
Including: Beijing Beiyong Casting Co., LTD	113,600.00	0.00	0.00	113,600.00	Funding constraints	No.
Total	113,600.00	0.00	0.00	113,600.00	—	—

6. Other receivables

Items	31 st Dec 2012	1 st Jan 2012
Other receivables	31,039,253.48	32,212,079.45
Less: Bad debt	12,452,351.76	14,628,104.14
Total	18,586,901.72	17,583,975.31

(1) Aging of other receivables

Items	31 st Dec 2012	1 st Jan 2012
Within 1 year	8,614,133.25	8,030,102.62
1-2 years	2,196,542.73	1,357,764.60
2-3 years	982,599.71	865,543.38
Over 3 years	6,793,626.03	7,330,564.71
Total	18,586,901.72	17,583,975.31

(2) Classification for other receivables

Item	31 Dec 2012				1 Jan 2012			
	Book value		Bad debts		Book value		Bad debts	
	Amount	Percent%	Amount	Percent %	Amount	Percent %	Amount	Percent %
Other receivables that are individually significant and are provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other receivables that are provided for bad debts on portfolio basis	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other receivables that are individually insignificant but are provided for bad debts on individual basis	31,039,253.48	100.00	12,452,351.76	40.12	32,212,079.45	100.00	14,628,104.14	45.41
Total	31,039,253.48	100.00	12,452,351.76	-	32,212,079.45	100.00	14,628,104.14	-

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

6. Other receivables (cont'd)

- (3) Other receivables that are individually insignificant but are provided for bad debts on individual basis at the end of period

Company Name	Amount	Bad debts provision	Rate (%)	Reason for bad debts provision
Note 1	17,996,338.71	12,452,351.76	69.19	Expected difficult to collect
Note 2	13,042,914.77	0.00	0.00	
Total	31,039,253.48	12,452,351.76		

Note 1: The Group made provisions on 24 items of other receivables amounting to RMB 17,996,338.71 which are in longer age and difficult to collect, and the amount of the provision is RMB 12,452,351.76.

Note 2: For reservation fund of employees, receivables from China Huarong Asset Management Corporation Xi'an Branch for equity repurchasing, amounting to RMB 13,042,914.77; there are no corresponding provisions for bad debts made.

- (4) There are no bad debts reversed or recovered during this period.

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

Company name	Nature	Write-off amount	reason	Whether caused by related transaction
Shaanxi Huangong Group Printing Machine Co., Ltd.	Receivables for selling goods	1,769,000.00	Impossible to draw back	No
Ningxia Xinhua Printing	Investment funds	657,700.47	Impossible to draw back	No
Total		2,426,700.47		

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

- (7) The top companies in other receivables:

Company Name	Relationship	Amount	Age	Proportion in accounts receivable (%)	Nature
Southeast Asia	Customer	9,088,241.00	Above 3 years	29.28	Note 1
China Huarong Asset Management Corporation Xi'an Branch	Minority shareholders of subsidiary	6,328,000.00	Within 1 year: 60,000.00 1-2 years: 60,000.00 Above 3 years: 6,208,000.00	20.39	Note 2
Total		15,416,241.00		49.67	

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 RMB 15,820,000 and repurchase in five years. RMB 6,328,000 in total should be returned in 2003 and 2004 and didn't write-off its investment by way of equity exit.

NOTES TO THE FINANCIAL STATEMENT

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

6. Other receivables (cont'd)

(8) The balance of other receivable from related parties:

Company Name	Relationship	Amount	Proportion in Accounts Receivable (%)
Beijing Moni Automatic Control System Co., Ltd.	Associates	141,834.59	0.46

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

Foreign currency	31 Dec 2012			1 Jan 2012		
	Foreign currency	Exchange Rate	Amount (RMB)	Foreign currency	Exchange Rate	Amount (RMB)
HKD	10,305,296.52	0.8108	9,088,241.00	10,305,296.52	0.8107	9,088,241.00

7. Inventory

(1) Categories of inventory

Item	31 Dec 2012			1 Jan 2012		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	75,464,046.67	4,890,957.02	70,573,089.65	70,571,264.98	4,979,065.44	65,592,199.54
Work in progress	266,065,647.76	51,368,232.81	214,697,414.95	273,132,729.17	40,726,799.30	232,405,929.87
Finished goods	120,409,593.07	19,665,440.55	100,744,152.52	134,906,207.01	30,081,308.28	104,824,898.73
Low-value consumables	3,235,188.12	0.00	3,235,188.12	3,437,680.22	0.00	3,437,680.22
Self made semi-finished goods	8,899,896.26	0.00	8,899,896.26	8,843,882.62	0.00	8,843,882.62
Work in process-outsourced	5,510,175.83	0.00	5,510,175.83	7,677,263.21	0.00	7,677,263.21
Total	479,584,547.71	75,924,630.38	403,659,917.33	498,569,027.21	75,787,173.02	422,781,854.19

(2) Impairment provision for inventory

Item	1 Jan 2012	Increase	Decrease in this year		31 Dec 2012
			Reversal	Transferred out	
Raw materials	4,979,065.44	0.00	0.00	88,108.42	4,890,957.02
Work in progress	40,726,799.30	27,203,000.00	0.00	16,561,566.49	51,368,232.81
storage goods	30,081,308.28	10,400,375.50	0.00	20,816,243.23	19,665,440.55
Total	75,787,173.02	37,603,375.50	0.00	37,465,918.14	75,924,630.38

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

(4) 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 2012	1 Jan 2012
Accounted in cost method	1,243,400.00	50,000.00
Accounted in equity method	14,742,035.65	15,660,364.86
Joint ventures	0.00	0.00
Associates	14,742,035.65	15,660,364.86
Total	15,985,435.65	15,710,364.86
Less: provision for impairment on long-term equity investments	50,000.00	50,000.00
Net book value	15,935,435.65	15,660,364.86

NOTES TO THE FINANCIAL STATEMENT

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

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

(2) Analysis of long-term equity investments

Item	31 Dec 2012	1 Jan 2012
Publicly-traded	0.00	0.00
China (excluding Hong Kong)	0.00	0.00
Hong Kong	0.00	0.00
Other area	0.00	0.00
Sub-total	0.00	0.00
Non-publicly-traded	15,935,435.65	15,660,364.86
Total	15,935,435.65	15,660,364.86

(3) Accounted in cost and equity method

Name of invested companies	Share holding %	Voting right %	Original amounts	1 Jan 2012	Increase or Decrease	Adjustment	Cash dividends for the year	Other equity change	31 Dec 2012	Provision for impairment	Impairment loss for the year
In cost method											
Ying Shen Associated Co., Ltd.	50,000.00	50,000.00	0.00	N/A	N/A	N/A	50,000.00	50,000.00	50,000.00	50,000.00	0.00
The Beiren Dipu Rui Printing Machinery Co., Ltd.	6	6	1,193,400.00	0.00	1,193,400.00	N/A	N/A	N/A	1,193,400.00	0.00	0.00
Sub-total			1,243,400.00	50,000.00	1,193,400.00				1,243,400.00	50,000.00	0.00
In equity method											
Beijing Monigraf Automations Co., Ltd.	49	49	3,675,000.00	8,971,923.43	0.00	39,224.04	0.00	0.00	9,011,147.47	0.00	0.00
Beijing Beijing Moulding Co., Ltd.	20	20	1,136,000.00	6,688,441.43	0.00	-957,553.25	0.00	0.00	5,730,888.18	0.00	0.00
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	49	49	22,540,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub-total			27,351,000.00	15,660,364.86	0.00	-918,329.21	0.00	0.00	14,742,035.65	0.00	0.00
Total			28,594,400.00	15,710,364.86	1,193,400.00	-918,329.21	-	-	15,985,435.65	50,000.00	0.00

Note: The Company, Beijing Institute of Printing, Beijing Beiren Jingyan Printing Machinery Co., Ltd., Beijing Industrial Development Investment Management Co., Ltd., have formed a joint venture agreement on December 17th, 2012, and set up The Beiren Dipu Rui Printing Machinery Co., Ltd. (Beiren Dipu Rui), with a registered capital of 20,000,000 RMB. The company invested 9,262,800 RMB, accounted for 46.30% of the registered capital, in which the monetary investment is 1,193,400 RMB, finished goods investment is 5,524,000 RMB, machinery investment is 1,720,500 RMB, non-patent technology investment is 824,900 RMB; Beijing Institute of Printing invested 4,543,700 RMB with non-patent technology of the superior feeder, accounted for 22.70% of the registered capital; Beijing Beiren Jingyan Printing Machinery Co., Ltd. invested 1,193,500 RMB with facilities and machinery, accounted for 6% of the registered capital; Beijing Industrial Development Investment Management Co., Ltd. invested 5,000,000 RMB in cash, accounted for 25% of the registered capital. The shareholders should make full contribution in installments in 2 years since the registration date. The initial investment has been audited by Beijing Jinglong Certified Public Accountants Co., Ltd., who has issued a capital verification report (No. 251) on December 18th, 2012. The initial investment has been contributed in cash to an amount of 6,193,400 RMB, including the share of 1,193,400 RMB from the Company, accounted for 6% of the registered capital, accounted in cost method. Beiren Dipu Rui was issued the Business license on December 25th, 2012, by Beijing Municipal Administration for Industry and Commerce, Yanqing Branch, and the registration number is 110229015488927, the registered capital is 20,000,000 RMB. Paid-in capital: 6,193,400 RMB. Legal representative: Cheng Tianming. Business address: 500m west of Wang Quanying Village, Yanqing town, Yanqing County, Beijing.

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

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

(4) Investment in associated companies

Name of invested company	Nature	Registration	Address	Legal representative	Organization Code	Business Type	Registered Capital	Share holding%	Voting right%
Associated Company									
Beijing Monigraf Automations Co. Ltd.	Limited liability	Beijing	Beijing	Zhang Peiwu	600094442	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 Beiyong Casting Co. Ltd.	Limited liability	Beijing	Beijing	Chen Changge	802866623	Processing and selling the standardized parts during the corresponding system.	568.00	20.00	20.00
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	Joint venture	Beijing	Beijing	Kong Dagang	788602348	Printing machine production and sales, as well as the technical services	4,600.00	49.00	49.00
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.					2,373.06	567.31	1,805.75	1,925.85	8.00
Beijing Beiyong Casting Co. Ltd.					7,171.69	4,306.25	2,865.44	4,124.58	-478.78
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.					0.00	0.00	0.00	0.00	0.00
Total					9,544.75	4,873.56	4,671.19	6,050.43	-470.78

Note: Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd. has implemented bankruptcy liquidation process. By the end of December 31st, 2012, the liquidation process has not finished.

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

Company	1 Jan 2012	Increase	Decrease	31 Dec 2012	Reason
Ying Shen Associated Company Limited	50,000.00	0.00	0.00	50,000.00	expected to be difficult to recover

9. Investment properties

(1) Accounted in cost method

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012
Original cost				
Buildings	7,986,177.80	0.00	0.00	7,986,177.80
Accumulated depreciation				
Buildings	1,247,082.03	182,616.45	0.00	1,429,698.48
Net book value				
Buildings	6,739,095.77	-	-	6,556,479.32
Impairment provision				
Buildings	0.00	0.00	0.00	0.00
Book value				
Buildings	6,739,095.77	-	-	6,556,479.32

Note: The amortization expense for investment properties recognized during current year is 182,616.45 RMB. (Last year: 188,237.16 year)

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

9. Investment properties (cont'd)

(2) Investment properties analyzed by region and year

Item	31 Dec 2012	1 Jan 2012
Inside China	6,556,479.32	6,739,095.77
Long-term (over 50 years)	0.00	0.00
Mid-term (10-50 years)	6,556,479.32	6,739,095.77
Short-term (within 10 years)	0.00	0.00
Outside China	0.00	0.00
Long-term (over 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (within 10 years)	0.00	0.00
Total	6,556,479.32	6,739,095.77

10. Fixed assets

(1) Fixed assets category

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012
Original Cost	1,070,084,090.74	3,502,850.10	3,856,885.81	1,069,730,055.03
Building	547,537,454.88	1,089,381.13	717,118.00	547,909,718.01
Machinery	457,017,510.48	1,697,419.62	21,640.00	458,693,290.10
Transportation facilities	15,060,453.14	151,591.40	779,653.50	14,432,391.04
Office equipment	48,993,782.77	564,457.95	2,338,474.31	47,219,766.41
Others	1,474,889.47	0.00	0.00	1,474,889.47
Accumulated Depreciation	522,587,936.49	31,047,975.25	3,020,484.34	550,615,427.40
Building	138,292,350.32	14,273,714.58	0.00	152,566,064.90
Machinery	332,868,793.74	14,670,354.11	13,089.58	347,526,058.27
Transportation facilities	8,716,354.13	998,591.93	768,383.94	8,946,562.12
Office equipment	41,940,620.00	959,944.95	2,239,010.82	40,661,554.13
Others	769,818.30	145,369.68	0.00	915,187.98
Net book value	547,496,154.25	—	—	519,114,627.63
Building	409,245,104.56	—	—	395,343,653.11
Machinery	124,148,716.74	—	—	111,167,231.83
Transportation facilities	6,344,099.01	—	—	5,485,828.92
Office equipment	7,053,162.77	—	—	6,558,212.28
Others	705,071.17	—	—	559,701.49
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	526,997,541.58	—	—	498,616,014.96
Building	409,245,104.56	—	—	395,343,653.11
Machinery	103,765,104.07	—	—	90,783,619.16
Transportation facilities	6,229,099.01	—	—	5,370,828.92
Office equipment	7,053,162.77	—	—	6,558,212.28
Others	705,071.17	—	—	559,701.49

Note:

- 1) An amount of RMB 31,047,975.25 was accrued in the year. (Last year: RMB 34,066,842.75)
- 2) For the increase of the fixed assets of the period, the amount of RMB 864,232.20 was transferred from construction in progress.
- 3) Loss for disposal of fixed assets in current year is 111,794.87 RMB.
- 4) The buildings, which are collateral to the bank as a short-term loan guarantee, are with the original cost of RMB 8,533,337.00 and net book value of RMB 7,384,373.76.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

10. Fixed assets (cont'd)

(2) Buildings analyzed by region and year

Item	31 Dec 2012	1 Jan 2012
Inside China	395,343,653.11	409,245,104.56
Long-term (over 50 years)	0.00	0.00
Mid-term (10-50 years)	395,343,653.11	409,245,104.56
Short-term (within 10 years)	0.00	0.00
Outside China	0.00	0.00
Long-term (over 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (within 10 years)	0.00	0.00
Total	395,343,653.11	409,245,104.56

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

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

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

Item	Book Value
Buildings	<u>101,366,082.95</u>

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

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

11. Construction in progress

Name	31 Dec 2012			1 Jan 2012		
	Book balance	provision	Book value	Book balance	provision	Book value
Construction in progress	2,258,710.00	0.00	2,258,710.00	0.00	0.00	0.00
Equipments in installation	3,370,890.54	0.00	3,370,890.54	1,353,615.30	0.00	1,353,615.30
Others	2,439,349.05	0.00	2,439,349.05	1,825,679.60	0.00	1,825,679.60
Total	8,068,949.59	0.00	8,068,949.59	3,179,294.90	0.00	3,179,294.90

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)

12. Intangible assets

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012
Original Cost	127,643,801.77	130,500.00	223,986.00	127,550,315.77
Land use right	127,643,801.77	0.00	223,986.00	127,419,815.77
Software	0.00	130,500.00		130,500.00
Accumulated depreciation	23,623,485.52	2,486,424.93	24,265.15	26,085,645.30
Land use right	23,623,485.52	2,484,249.93	24,265.15	26,083,470.30
Software	0.00	2,175.00	0.00	2,175.00
Net book value	104,020,316.25	–	–	101,464,670.47
Land use right	104,020,316.25	–	–	101,336,345.47
Software	0.00	–	–	128,325.00
Impairment provision	0.00	0.00	0.00	0.00
Land use right	0.00	0.00	0.00	0.00
Software	0.00	0.00	0.00	0.00
Book value	104,020,316.25	–	–	101,464,670.47
Land use right	104,020,316.25	–	–	101,336,345.47
Software	0.00	–	–	128,325.00

Land use right analyzed by region and year

Item	31 Dec 2012	1 Jan 2012
Inside China	101,336,345.47	104,020,316.25
Long-term (over 50 years)	0.00	0.00
Mid-term (10-50 years)	101,336,345.47	104,020,316.25
Short-term (within 10 years)	0.00	0.00
Outside China	0.00	0.00
Long-term (over 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (within 10 years)	0.00	0.00
Total	101,336,345.47	104,020,316.25

- (1) The amortization expense for this year is RMB 2,486,424.93. (Last year: RMB 2,487,609.62)
- (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 RMB 6,292,266.84 and with the net book value of RMB 5,460,206.98.

13. Long-term prepayments

Item	1 Jan 2012	Increase	Decrease	Other decrease	31 Dec 2012
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 2012	1 Jan 2012
Deferred tax asset		
Provision for assets	0.00	2,711,017.52

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

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

(2) The details are not recognized deferred tax assets

Items	31 Dec 2012	1 Jan 2012
Asset impairment	210,670,676.93	191,669,974.91
Deductible loss	444,992,565.71	318,850,840.80
Total	655,663,242.64	510,520,815.71

Because the company and its subsidiaries are not stably profitable, the taxable profit against deductible loss in the estimated periods shall not be expected sufficient. Therefore, the company would not recognize deferred tax assets.

(3) Deductible loss unrecognized as deferred tax assets will be carried forward to the following years:

Item	31 Dec 2012
2013	133,813,242.84
2014	168,868,795.78
2015	12,192,889.89
2016	2,234,124.46
2017	127,883,512.74
Total	444,992,565.71

(4) Details of deductible differences

Items	Amount
Closing balance	
Deductible differences	0.00
Provision for bad debts	0.00
Provision for impairment of inventory	0.00
Provision for Impairment of long-term equity investment	0.00
Total	0.00
Opening 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

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

**15. Provision for impairment of assets:
Current year**

Item	1 Jan 2012	Increase	Decrease		31 Dec 2012
			Reversal	Other transferring-out	
Provision for bad debts	113,407,639.44	6,015,399.48	0.00	5,225,605.04	114,197,433.88
Provision for impairment of inventory	75,787,173.02	37,603,375.50	0.00	37,465,918.14	75,924,630.38
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	209,743,425.13	43,618,774.98	0.00	42,691,523.18	210,670,676.93

Last year

Item	1 Jan 2011	Increase	Decrease		31 Dec 2011
			Reversal	Other transferring-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

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)

16. Short-term loans

Category	Currency	31st Dec 2012			1st Jan 2012		
		Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Guaranteed loans	RMB	13,029,820.99	-	13,029,820.99	10,000,000.00	-	10,000,000.00
Unsecured loans	RMB	300,000,000.00	-	300,000,000.00	210,000,000.00	-	210,000,000.00
Total		313,029,820.99	-	313,029,820.99	220,000,000.00	-	220,000,000.00

- (1) The weighted average annual interest rate is 6.30% at the date of 31st Dec, 2012. (31st Dec, 2011: 6.115%)
- (2) The guaranteed loans at the end of year, which is amounting to RMB 13,029,820.99, are the borrowings by the subsidiary of Beiren Fuji Printing Machine Co., LTD, for one-year period and is guaranteed by the Company.
- (3) The unsecured loans at the end of year include a one-year period loan of RMB 300 million borrowed by the Company from Bank of Beijing Jinyun Branch entrusted by 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 2013, there will be financial support if necessary, and will not be a requirement for repaying borrowings in 2013 if the Company is incapable of repaying loans.

17. Notes payable

Type of note	31 Dec 2012	1 Jan 2012
Bank acceptance note	24,200,000.00	16,950,000.00

Note: The amount of RMB 24,200,000.00 will be matured in next financial year.

18. Accounts payable

(1) Category

Items	31st Dec 2012	1st Jan 2012
Supplies and materials payable	323,922,570.97	272,997,745.92

(2) Aging analysis

Item	31 Dec 2012	1 Jan 2012
Within one year	249,800,013.57	217,624,921.19
1-2 years	45,271,811.35	27,901,330.06
2-3 years	9,641,943.64	17,902,351.80
Above 3 years	19,208,802.41	9,569,142.87
Total	323,922,570.97	272,997,745.92

Note: The large-amount accounts payable, age over 1 year, mainly consists of deal settlement and earnest money. The late payment is caused by financial stress of the Company. Because the Group is a long-term stable customer to the suppliers, with a credible market impression, the suppliers acknowledge the compound method of payment.

- (3) The accounts payable balance details exclude shareholders who hold 5% or more of the Group's shares.
- (4) The balance of accounts payable in foreign currencies is nil.

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

19. Advance from customers

(1) Advance from customers

Item	31 Dec 2012	1 Jan 2012
Total	64,992,309.32	88,449,580.42
more than 1 year	2,744,827.85	15,074,375.01

Note: 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 2012			1 Jan 2012		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	942,766.68	6.2855	5,925,759.97	157,833.00	6.3009	1,108,530.81
EUR	0.00	8.3176	0.00	12,198.00	8.1625	107,449.86
Total	-	-	5,925,759.97	-	-	1,215,980.67

20. Employee benefits

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012
Salary (Including bonus and allowance)	4,200,097.91	132,030,918.48	130,726,122.57	5,504,893.82
Welfare	0.00	18,958,793.13	18,958,793.13	0.00
Social insurance	14,844,692.14	40,428,560.88	39,197,144.55	16,076,108.47
Including:				
Medical insurance	4,265,606.73	13,552,003.32	15,162,997.22	2,654,612.83
Basic endowment insurance	10,003,980.08	23,500,196.01	21,373,730.08	12,130,446.01
Unemployment insurance	389,394.16	1,350,415.86	770,439.29	969,370.73
Industrial injury insurance	75,503.60	1,185,736.72	1,083,531.94	177,708.38
Fertility insurance	110,207.57	840,208.97	806,446.02	143,970.52
Housing fund	688,304.20	9,209,460.00	8,583,693.00	1,314,071.20
Labour union expenditure and employee education expenditure	2,230,434.71	3,490,916.29	2,997,430.02	2,723,920.98
Other welfare	0.00	0.00	0.00	0.00
Estimated expense for employee retirement in advance	16,912,342.55	21,981,331.05	10,385,152.02	28,508,521.58
Others	215,853.00	3,559,323.58	3,559,323.58	215,853.00
Total	39,091,724.51	229,659,303.41	214,407,658.87	54,343,369.05

(1) The estimated expense for employee retirement incurred in current year is 21,981,331.05 RMB.

(2) The ending balance of payroll includes salaries, bonuses, and allowances that have been accrued but not yet paid, with an amount of 5,504,893.82 RMB. They will be fully paid in March, 2013.

NOTES TO THE FINANCIAL STATEMENT

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

21. Tax payable

Tax category	31 Dec 2012	1 Jan 2012
Value added tax	-1,429,262.68	-5,876,913.92
Business tax	274,990.88	1,547,763.26
Enterprise income tax	0.00	0.00
Individual tax	178,586.87	137,371.97
Urban maintenance and construction tax	29,518.98	-465,825.77
Property tax	0.00	0.00
Land usage tax	0.00	0.00
Educational surcharge	21,985.36	-157,479.47
Stamp tax	106,511.81	87,690.59
Water conservancy fund	482,220.54	598,012.37
Total	-335,448.24	-4,129,380.97

Note: By year end, the Hong Kong income tax payable is nil.

22. Interest payable

Items	31 Dec 2012	1 Jan 2012
Short-term borrowings interest payable	1,019,724.67	751,944.17

23. Other payables

(1) Other payables

Items	31 Dec 2012	1 Jan 2012
Total	57,728,663.10	41,361,493.75
more than 1 year	24,584,625.66	21,602,109.24

Note: The large-amount other payables aged over 1 year consist land premium payable and advanced payment, etc., which have not been settled.

(2) Category

Items	31 Dec 2012	1 Jan 2012
Social insurance payment	2,559,324.75	1,460,235.69
Advanced payment	39,664,614.68	25,751,851.28
Housing maintenance fund	2,862,117.17	2,818,484.17
Land remise fund	9,330,922.61	9,330,922.61
Financial grant from the Bureau of Industry and Commerce	2,000,000.00	2,000,000.00
Trademark fee	1,311,683.89	0.00
Total	57,728,663.10	41,361,493.75

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

(4) 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

Note1: 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 2012, 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)
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VII. Notes of Main Items of Consolidated Financial Statements (cont'd)

24. Other current liabilities

Item	31 Dec 2012	1 Jan 2012
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	0.00	656,815.99
Other accrued expenses	1,050,000.00	1,400,000.00
Total	1,250,200.56	2,257,016.55

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 RMB 200,200.56.

25. Specific payables

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012	Notes
Medium newspaper printing machine core unit technology and semi-commercial product	4,751,414.58	175,605.39	0.00	4,927,019.97	Note 1
Folio single paper print machine series with multiple colours – new style 1050	5,230,314.97	187,315.45	0.00	5,417,630.42	Note 2
Digital single piece of paper split polychrome offset machine industry project	5,091,683.83	380,620.38	0.00	5,472,304.21	Note 3
Digital single piece of paper split polychrome offset machine industry project	10,900,000.00	0.00	0.00	10,900,000.00	Note 4
Wide satellite super-speed flexible printing machine industry project	3,185,652.30	0.00	42,275.00	3,143,377.30	Note 5
Relocation compensation	2,526,102.37	0.00	2,526,102.37	0.00	Note 6
Packaging industry high-tech R & D projects	0.00	1,150,000.00	0.00	1,150,000.00	Note 7
Experts workstation	0.00	728,000.00	455,917.43	272,082.57	
Total	31,685,168.05	2,621,541.22	3,024,294.80	31,282,414.47	

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 December 17, 2008. A financial support of RMB 5,000,000 has been given to this company to carry on the medium newspaper printing machine core unit technology and semi-commercial product project. The Company in, will return the fund to the national capital holding on November 30, 2012 and November 30, 2012 with the amount of RMB 1,500,000 and RMB 3,500,000 respectively. In order to manifest the time value for the current market, the total amount of current value from different phases is used to recognize the book value of the Specific payables. 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 is calculated on an effective interest rate basis and is recognized as financial expense this year.

Note 2: The Company and Beijing National Capital Mechanical And Electrical Holding Company Limited has signed "national capital holding strategy product and the technical research and development project funds support contract" on June 24, 2009. A financial support of RMB 5,500,000 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 will return the fund to the national capital holding on November 30, 2011 and November 30, 2012 with the amount of RMB 1,650,000 and RMB 3,850,000 respectively. In order to manifest the time value for the current market, the total amount of current value from different phases is used to recognize the book value of the Specific payables. Loan datum interest rate of 3 year time (5.4%) is used as discount rate. It has not been returned within the period. Interest expense is calculated on an effective interest rate basis and is recognized as financial expense this year.

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

25. Specific payables (cont'd)

Note 3: 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 December 22, 2011. A financial support of RMB 6,500,000 has been given to this company to carry on the development of Digital single piece of paper split polychrome offset machine industry project. The Company will return the fund to the national capital holding on December 1, 2014 and December 1, 2015 with the amount of RMB 1,950,000 and RMB 4,550,000 respectively. In order to manifest the time value for the current market, the total amount of current value from different phases is used to recognize the book value of the Specific payables. Loan datum interest rate of 3 year time (6.65%) and 4 year time (6.90%) are used as discount rate. Interest expense is calculated on an effective interest rate basis and is recognized as financial expense this year.

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 RMB 10,900,000.

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., LTD received RMB 3,300,000 in the Wide satellite super-speed flexible printing machine industry project.

Note 6: During 2010, the Beiren Group issued RMB 1,074,690,000 payments to Beiren Fuji as relocations compensations. By this year end, the compensations are fully paid.

Note 7: According to "The 2012 central subsidy packaging industry, high-tech R & D funding budget" [2012] No. 1607 from Beijing Municipal Bureau of Finance, the Company has raised a fund of 1,150,000 RMB, for the purpose of packaging industry high-tech R & D projects.

26. Estimated liabilities

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012
Employee benefits for Dismission	567,607.38	0.00	25,200.00	542,407.38

Note: 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.

27. Other non-current liabilities

Item	31 Dec 2012	1 Jan 2012
Interest discount of advanced flexible printing machine technology transformation project	323,887.15	462,695.93
Shaanxi Packaging & Printing Machinery Engineering Technology Research Centre	192,187.95	253,579.73
Total	516,075.10	716,275.66

(1) The government subsidies of RMB 200,200.56, gained prior years relevant to assets are transferred into non-operating income in according to relevant regulations, with a closing balance is RMB 516,476.22.

(2) Government subsidy

Category	Beginning Balance		Closing Balance		Those charged into current gain and loss	Return this year	Reason for return
	Those listed into other non-current liabilities	Those listed into other non-current liabilities	Those listed into other non-current liabilities	Those listed into other current liabilities			
Interest discount of advanced flexible printing machine technology transformation project	462,695.93	115,673.98	323,887.15	115,673.98	115,673.98	-	-
Shaanxi Packaging & Printing Machinery Engineering Technology Research Centre	253,579.73	84,526.58	192,187.95	84,526.58	84,526.58	-	-
Total	716,275.66	200,200.56	516,075.10	200,200.56	200,200.56	-	-

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

28. Share capital

Changes of legally issued paid-up share capital are listed below: (all shares of the Company are ordinary shares with a nominal value of 1 RMB per share.)

Current year

Unit: RMB'000

Shareholder's Name/Regimentation	1 Jan 2012		Current changes					31 Dec 2012	
	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
Sub-total	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
Sub-total	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

Last year

Unit: RMB'000

Shareholder's Name/Regimentation	1 Jan 2011		Current changes					31 Dec 2011	
	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
Sub-total	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
Sub-total	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

29. Capital reserve

Current year

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012
Capital premium	517,305,478.93	0.00	35,977.15	517,269,501.78
Other capital reserve	5,572,298.94	0.00	0.00	5,572,298.94
Total	522,877,777.87	0.00	35,977.15	522,841,800.72

Note: The decrease in capital reserve is due to the acquisition of 0.24% shares from minority shareholders of Beijing Beiren Jingyan Printing Machinery Co., Ltd. The acquisition price is higher than the shares of identifiable net assets of the subsidiary, and should be charged into capital reserve.

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

29. Capital reserve (cont'd)

Last 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

30. Surplus reserve

Current year

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012
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

31. Undistributed profits

Current year

Item	Amount	%
Undistributed Profits at The Last period End	-231,668,177.08	
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	-231,668,177.08	
Add: net profit attributable to parent company this period	-168,358,026.72	
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	-400,026,203.80	

Last 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	

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

32. Minority interest

Name of Subsidiary	Proportion of Minority Interest (%)	31 Dec. 2012	1 Jan 2012
Beiren Fuji print machinery Co., Ltd.	30.00	6,426,183.14	7,865,054.51
Beijing Beiren Jingyan Print Machinery Factory	0.00	0.00	14,022.85
Shaanxi Beiren printing machinery Co., Ltd.	13.76	8,132,154.65	10,481,284.56
Total		14,558,337.79	18,360,361.92

33. Net current assets

Item	31 Dec 2012	1 Jan 2012
Current assets	835,029,879.97	816,766,895.15
Less: Current liabilities	840,151,210.42	677,730,124.35
Net current assets	-5,121,330.45	139,036,770.80

34. Total assets (with Current liabilities excluded)

Item	31 Dec 2012	1 Jan 2012
Total assets	1,475,038,749.96	1,485,441,846.03
Less: Current liabilities	840,151,210.42	677,730,124.35
Total assets (with Current liabilities excluded)	634,887,539.54	807,711,721.68

35. Borrowings and loans

Item	31 Dec 2012	1 Jan 2012
Short-term bank loans	313,029,820.99	220,000,000.00
Long-term loans	0.00	0.00
Bonds payable	0.00	0.00
Long-term Accounts Payable	0.00	0.00
Capital lease	0.00	0.00
Total	313,029,820.99	220,000,000.00

(1) Brief analysis

Item	31 Dec 2012	1 Jan 2012
Bank loans	313,029,820.99	220,000,000.00
–Expire in 5 years	313,029,820.99	220,000,000.00
–Expire after 5 years	0.00	0.00
Sub-total	313,029,820.99	220,000,000.00
Other loans and payables	0.00	0.00
Total	313,029,820.99	220,000,000.00

(2) Maturity date analysis

Item	31 Dec 2012	1 Jan 2012
Within 1 year	313,029,820.99	220,000,000.00
1-2 years	0.00	0.00
2-5 years	0.00	0.00
Over 5 years	0.00	0.00
Total	313,029,820.99	220,000,000.00

NOTES TO THE FINANCIAL STATEMENT

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

36. Operating income and operating costs

(1) Category

Items	Jan-Dec 2012	Jan-Dec 2010
Main operating income	732,325,680.93	784,850,138.73
Other operating income	15,928,728.47	19,023,787.84
Total	748,254,409.40	803,873,926.57
Main operating costs	609,791,972.29	634,798,440.59
Other operating costs	7,004,605.03	5,376,341.12
Total	616,796,577.32	640,174,781.71

(2) Main gross margin

Item	31 Dec 2012	1 Jan 2012
Main operating income	732,325,680.93	784,850,138.73
Main operating costs	609,791,972.29	634,798,440.59
Gross margin	122,533,708.64	150,051,698.14

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

Item	Jan-Dec 2012		Jan-Dec 2011	
	Operating Income	Operating Costs	Operating Income	Operating Costs
Sales of hectograph machine	366,076,828.89	320,735,573.87	327,543,008.42	275,915,772.60
Sales of intaglio printing machine	304,755,989.02	239,479,898.22	363,587,203.39	282,445,229.50
Sales of form machinery	43,721,353.45	36,645,731.79	62,445,299.14	52,090,730.64
Sales of spare parts	16,230,623.59	11,747,466.86	22,937,152.71	17,743,461.15
Others	1,540,885.98	1,183,301.55	8,337,475.07	6,603,246.70
Total	732,325,680.93	609,791,972.29	784,850,138.73	634,798,440.59

(4) Other operating income and costs

Item	Jan-Dec 2012		Jan-Dec 2011	
	Other operating Income	Other operating Costs	Other operating Income	Other operating Costs
Sales of material	1,168,348.55	964,628.08	1,620,236.57	1,219,899.84
Sales of water and electricity	2,592,635.12	2,402,517.29	1,911,018.60	1,803,601.70
Lease	11,777,548.55	2,933,456.00	15,003,055.80	2,352,839.58
Others	390,196.25	704,003.66	489,476.87	0.00
Total	15,928,728.47	7,004,605.03	19,023,787.84	5,376,341.12

NOTES TO THE FINANCIAL STATEMENT

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

36. Operating income and operating costs (cont'd)

(5) The total sales income from the Company's top five clients is RMB 92,680,341.89 (last year: RMB 98,426,495.73), accounted 12.39% (last year: 12.54%) of the total sales income of the period. Detailed information is listed below:

Company name	Operating Income	Percentage of total income
Hunan Printing Material Co. Ltd.	28,023,931.63	3.75%
Jiang Su Xujing New Energy Technology Co., Ltd.	19,743,589.74	2.64%
Taian Daily Newspaper	16,205,128.21	2.17%
Fujian Daily (Quanzhou) Printing Co. Ltd	15,025,641.03	2.01%
Shandong Printing Materials Company	13,682,051.28	1.82%
Total	92,680,341.89	12.39%

37. Business tax

Items	2012	2011	Tax rate (%)
Business tax	937,841.55	2,860,469.24	Taxable income *5%/3%
Urban maintenance and construction tax	2,228,473.72	2,059,781.78	Turnover tax *5%/7%
Educational surcharge	1,397,697.95	1,030,245.72	Turnover tax *3%
Real estate tax	67,083.89	67,083.89	Original value of real estate70% *1.2%
Land use fee	0.00	0.00	RMB3.00/m ² or RMB1.50/m ²
Total	4,631,097.11	6,017,580.63	

38. Sales expenses

Item	Jan-Dec 2012	Jan-Dec 2011
Salary	19,490,253.72	16,704,486.88
Exhibition fee	5,745,986.21	3,034,457.52
Travelling fee	4,327,952.78	5,350,125.63
Staff going abroad fee	2,916.00	144,492.02
Entertainment expenses	3,672,243.64	2,123,306.36
Transportation and commissioning fee	12,155,751.17	11,000,046.80
Office and administrative fee	5,031,555.66	4,358,102.02
Commissions	8,369,304.17	7,835,974.69
Warranty maintenance cost	10,055,686.51	9,085,854.95
Others	815,000.97	347,083.15
Total	69,666,650.83	59,983,930.02

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

39. Administration expenses

Item	Jan-Dec 2012	Jan-Dec 2011
Salary	45,014,358.00	38,638,540.48
Depreciation	9,006,415.90	10,849,279.46
Office and administrative fee	11,353,044.19	10,119,645.31
Amortisation of intangible assets	2,115,746.01	2,834,209.43
Motivational & reconditioning fee	4,088,994.70	3,555,143.22
Tax expense	8,049,091.21	8,594,034.34
Agency fee	5,176,323.72	4,081,006.80
Research and development expense	23,574,663.33	18,095,333.88
Trademark usage fee	3,519,440.35	3,372,149.51
Allowance for retiring employees	6,304,050.31	6,293,854.65
Provision for product quality	145,176.89	257,834.31
Reorganizational expense	26,195,013.49	0.00
Severance benefits	21,981,331.05	0.00
Others	6,825,895.25	2,326,433.69
Total	173,349,544.40	109,017,465.08

40. Financial expenses

(1) Financial expenses

Item	Jan-Dec 2012	Jan-Dec 2011
Interest payment	14,388,869.24	10,718,000.05
less: Interest income	773,329.55	867,005.58
Add: exchange loss	188,702.10	-56,760.49
Add: other payment	348,082.50	-1,856,683.68
Total	14,152,324.29	7,937,550.30

(2) Interest payment

Item	Jan-Dec 2012	Jan-Dec 2011
Interest of bank loans	13,645,328.02	10,355,079.21
Other loan interests due in 5 years	743,541.22	362,920.84
Other loan interests due after 5 years	0.00	0.00
Sub-total	14,388,869.24	10,718,000.05
Less: Capitalized interest expense	0.00	0.00
Total	14,388,869.24	10,718,000.05

(3) Interest income

Item	Jan-Dec 2012	Jan-Dec 2011
Interest income from bank deposits	773,329.55	867,005.58
Interest income from accounts receivables	0.00	0.00
Interest income accrued at effective interest rates	0.00	0.00
Interest income from capital lease	0.00	0.00
Interest income from impaired financial assets	0.00	0.00
Total	773,329.55	867,005.58

41. Impairment loss of assets

Item	Jan-Dec 2012	Jan-Dec 2011
Bad debt loss	6,015,399.48	1,559,117.92
Impairment loss on inventory	37,603,375.50	8,825,806.00
Total	43,618,774.98	10,384,923.92

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

42. Investment income

(1) Resources of investment income

Item	Jan-Dec 2012	Jan-Dec 2011
Equity method of accounting for long-term equity investment income	-918,329.21	206,880.50

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 2012	Jan-Dec 2011	Reason of changes
Total	-918,329.21	206,880.50	
Including:			
Beijing Beiyong Casting Company Limited	-957,553.25	192,796.22	Decrease of profit
Beijing Monigraf Automations Co., Ltd.	39,224.04	14,084.28	Increase of profit

43. Non-operating income

(1) Non-Operating Income

Item	Jan-Dec 2012	Jan-Dec 2011
Gains from non-current capital disposal	754.08	16,142,272.05
Among which: Gains from fixed assets	754.08	16,142,272.05
Government subsidy	5,065,300.56	2,615,267.06
Gain of debt restructure	0.00	96,281.69
Other	1,537,239.39	25,548,454.83
Total	6,603,294.03	44,402,275.63

Note: The amount accounted into non-operating gains and loss is 6,603,294.03 RMB. (Last year: 44,402,275.63 RMB)

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

Item	Jan-Dec 2012	Jan-Dec 2011	Reasons
Medium and small enterprise development fund in Weinan	0.00	1,000,000.00	SCBQ(2011)No.80 (transferred from other receivable)
Shannxi province finance department technology research and development funds 2010.	0.00	750,000.00	WCBY(2010) No. 233 (transferred from other receivables)
Enterprise technology innovation and creation of famous brand in 2010	0.00	500,000.00	WCBJ(2010) No.65 (transferred from other receivables)
Interest discount of advanced printing machine technology transformation project	115,673.98	115,673.98	SFGTZ(2006) No.1278 (transferred deferred P&L)
Weinan International market development funds	0.00	90,042.00	Government funds payment
Shaanxi Packaging & Printing Machinery Engineering Technical Research Centre	84,526.58	84,526.58	YZZZ(2009) No.25(transferred deferred P&L)
Key taxpaying enterprise bonus in 2010	0.00	50,000.00	WCBY (2011) No.38
Subsidy for rural migrant workers	0.00	4,024.50	Chaoyang district department of finance national treasury centre

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

43. Non-operating income (cont'd)

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

Item	Jan-Dec 2012	Jan-Dec 2011	Reasons
Subsidy for disable workers	0.00	10,000.00	Chaoyang district disable association
Subsidy for disable workers	0.00	11,000.00	Yanqing disable association
Weinan Hi-tech Zone enterprise technology innovation awards	2,115,500.00	0.00	Weinan Hi-tech Industrial Development Zone Economic Development Council documents, Wei Gao Jing Zi [2011] No. 46
The Weinan Municipal Finance Bureau to support SME development and management of grant funds	50,000.00	0.00	Weinan Hi-tech Industrial Development Zone Economic Development Council documents, Wei Gao Jing Zi [2012] No. 11
2010 provincial enterprise technology innovation capacity of special funds	2,299,600.00	0.00	Weinan Municipal Finance Bureau, Wei Cai Ban Yu-(2012) 120-support Small and medium enterprises (SME) development and management
Interest discount of advanced printing machine technology transformation project	400,000.00	0.00	Files of the Department of Science and Technology of Shanxi Province, Shan Ke Ji Fa [2011] No. 185, Circular of Department of Science and Technology of Shanxi Province On Transmission of co-ordination of innovation projects in Shanxi Province in 2011
Total	5,065,300.56	2,615,267.06	

44. Non-operating expenses

Item	Jan-Dec 2012	Jan-Dec 2011
Loss from non-currency asset disposal	112,548.95	1,183,716.93
Among which: Loss from fixed assets	112,548.95	1,183,716.93
Loss compensation	0.00	0.00
others	1,046,866.82	123,285.57
Total	1,159,415.77	1,307,002.50

Note: The amount accounted into non-operating gains and loss is 1,159,415.77 RMB. (Last year: 1,307,002.50 RMB)

45. Income tax expense

Item	Jan-Dec 2012	Jan-Dec 2011
Income tax for current year	0.00	0.00
1. China	0.00	0.00
2. Hong Kong	0.00	0.00
3. Other areas	0.00	0.00
4. Carried forward more (or less) from previous years	0.00	0.00
Deferred tax expenses	2,711,017.52	30,000.22
Total	2,711,017.52	30,000.22

46. Audit fees

The audit fees incurred during current year is RMB 1,050,000.00. (Last year: RMB 1,080,000.00)

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

47. Depreciation and amortization expenses

The depreciation and amortization expense recognized in Income statements is RMB 33,717,016.63. (Last year: RMB 36,742,689.53)

48. Operating lease expense

The operating lease expense incurred during current year is RMB 1,389,084.48 (Last year: RMB 1,147,546.78), in which renting expense for industrial facilities and machineries is nil (Last year: nil).

49. Renting income

The rent income from land and buildings (excluding land rent, property rates and other expenditure) is 11,777,548.55 RMB. (Last year: 15,003,055.80 RMB)

50. Earnings per share

(1) Basic EPS

Basic EPS is calculated as followed: Consolidated net profit attributable to the basic shareholders of the parent company divided by the weighted average outstanding basic shares

Item	Current year	Last year
Consolidated net profit attributable to the basic shareholders of the parent company	-168,358,026.72	11,382,900.84
Consolidated net profit attributable to the basic shareholders of the parent company (net of non-operating gains and loss)	-173,196,189.59	-30,853,075.37
The weighted average outstanding basic shares	422,000,000.00	422,000,000.00
Basic earnings per share (RMB/share)	-0.40	0.03
Basic earnings per share (RMB/share) (net of non-operating gains and loss)	-0.41	-0.07

The calculating process of the weighted average number of basic EPS.

Item	Current year	Last year
The beginning balance of outstanding basic shares	422,000,000.00	422,000,000.00
Adjustment of provident fund transfer to the capital	0.00	0.00
The ending balance of outstanding basic shares	422,000,000.00	422,000,000.00

(2) Diluted EPS

The diluted EPS is calculated as followed: diluted potential basic shares adjusted consolidated net profit attributable to the basic shareholders of the parent company divided by the adjusted weighted average outstanding basic shares.

The adjustment factor of consolidated net profit attributable to the basic shareholders of the parent company is the diluted potential basic share interest, recognized as expense; and gains and losses of diluted potential basic share, generated during transition process; as well as other income tax influence.

The adjustment factor of weighted average outstanding basic shares is the increased weighted average number of assumed diluted potential basic share, generated during transition process of basic shares.

Item	Current year	Last year
Adjusted consolidated net profit attributable to the basic shareholders of the parent company	-168,358,026.72	11,382,900.84
Adjusted consolidated net profit attributable to the basic shareholders of the parent company (net of non-operating gains and loss)	-173,196,189.59	-30,853,075.37
The adjusted weighted average outstanding basic shares	422,000,000.00	422,000,000.00
Diluted earnings per share (RMB/share)	-0.40	0.03
Diluted earnings per share (RMB/share) (net of non-operating gains and loss)	-0.41	-0.07

NOTES TO THE FINANCIAL STATEMENT

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

51. Cash flow information

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

1) Other cash received related to operation activity

Items	Jan-Dec 2012	Jan-Dec 2011
Received from Beiren Group for stand-by allowance	0.00	21,845,774.00
Received Financial project funding	8,498,000.00	23,327,466.50
Guarantee payment	3,134,950.00	5,304,092.44
Payment refunds	1,377,220.03	2,976,738.47
Receive social insurances from social insurance bureau	1,575,216.36	1,335,238.58
Maintenance fees	0.00	901,347.59
Interest income	773,329.55	867,005.58
Lease expense	0.00	773,181.70
Sales of materials and disposal of old and obsolete materials	179,172.00	235,085.06
Others	1,639,917.70	602,284.06
Total	17,177,805.64	58,168,213.98

2) Other cash payment related to operating activities

Items	Jan-Dec 2012	Jan-Dec 2011
Office, conference and travelling fee	15,504,747.64	16,876,603.18
Installation & Commissioning fee	12,911,000.96	9,956,965.43
Guarantee	3,073,560.00	5,853,474.44
Trademark usage fee	2,254,788.82	4,619,469.07
Agency fee	4,203,028.99	3,693,146.75
others	11,814,576.72	3,636,081.42
Advertising and exhibition fee	2,641,549.28	2,275,584.98
Reorganizational expense	15,349,384.24	0.00
Retiring employees' expense	12,791,654.03	7,503,911.66
Total	80,544,290.68	54,415,236.93

3) Cash received related to other financing activities

Items	Jan-Dec 2012	Jan-Dec 2011
Corresponding accounts with Beiren Group	8,000,000.00	0.00

4) Cash paid related to other financing activities

Items	Jan-Dec 2012	Jan-Dec 2011
bank acceptance notes guarantee	8,250,000.00	5,274,602.69
Commercial bank financing costs	0.00	137,800.00
Corresponding accounts with Beiren Group	8,000,000.00	0.00
Total	16,250,000.00	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)

51. Cash flow information (cont'd)

(2) Supplement information of consolidated cash flow statement

Items	Jan-Dec 2012	Jan-Dec 2011
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	-172,146,028.00	13,629,848.32
Add: Provision on the impairment of assets	43,618,774.98	10,384,923.92
Depreciation of fixed asset	31,230,591.70	34,255,079.91
Amortization of intangible asset	2,486,424.93	2,487,609.62
Amortization of long-term prepaid expenses	0.00	0.00
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain listed as "-")	111,794.87	-14,958,555.12
Loss on disposal of fixed assets (Gain listed as "-")	0.00	0.00
Gain or loss from changes in fair value (Gain listed as "-")	0.00	0.00
Financial expenses (Gain listed as "-")	14,388,869.24	10,718,000.05
Loss on investments (Gain listed as "-")	918,329.21	-206,880.50
Decrease in deferred tax assets (Increase listed as "-")	2,711,017.52	30,000.22
Increase in deferred tax liabilities (Decrease listed as "-")	0.00	0.00
Decrease in inventories (Increase listed as "-")	18,984,479.50	-52,867,110.80
Decrease in operating receivables (Increase listed as "-")	-18,886,789.22	43,776,798.77
Increase in operating payables (Decrease listed as "-")	29,442,353.90	-68,147,843.45
Others	0.00	0.00
Net cash flow generated from operating activities	-47,140,181.37	-20,898,129.06
2. Significant non-cash investing and financing activities:		
Conversion of debts into capital	0.00	0.00
Convertible bonds repayable within 1 year	0.00	0.00
Fixed assets acquired under finance lease arrangement	0.00	0.00
3. Changes in cash and cash equivalents:		
Closing balance of cash	172,904,277.96	156,591,748.37
Less: opening balance of cash	156,591,748.37	110,505,385.35
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	16,312,529.59	46,086,363.02

(3) Information of acquisition or disposal of subsidiaries and other operating units during the year

Items	Jan-Dec 2012	Jan-Dec 2011
Information of subsidiaries and other operating units disposed		
1. Price for disposal of subsidiaries and other operating units	0.00	0.00
2. Cash and cash equivalents received for disposal of subsidiaries and other operating units	0.00	0.00
Less: Cash and cash equivalents held by the subsidiaries and other operating units disposed	0.00	0.00
3. Net cash and cash equivalents received on disposal of subsidiaries and other operating units	0.00	0.00
4. Net assets of subsidiaries disposed	0.00	0.00
Current assets	0.00	0.00
Non-current assets	0.00	0.00
Current liabilities	0.00	0.00
Non-current liabilities	0.00	0.00

(4) Cash and cash equivalents

Items	Jan-Dec 2012	Jan-Dec 2011
Cash	172,904,277.96	156,591,748.37
Including: Cash in hand	9,579.69	10,449.33
Bank deposits available for use on demand	172,894,698.27	156,581,299.04
Cash equivalents	0.00	0.00
Cash and cash equivalents at end of year	172,904,277.96	156,591,748.37
Including: Cash and cash equivalents of which the Parent or group companies are restricted from use	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 Legal representative	Code of the Code of the Organization
Beijing National Capital Mechanical And Electrical Holding Company Limited	Unique State-owned	59# Zhong Venue Dongsanhuan Chaoyang Distirct Beijing	Operation and management of authorized State capital: property right (stock right) operation; financing and investing money from foreign countries.	Ren Yaguang	633686217

Note: Beiren Corporation Group and Beijing National Mechanical And Electrical Holding Company Limited signed State-Owned Free of Charge Equity Transfer for Agreement on 16 June 2012. Beiren Corporation Group voluntarily transferred 20,162,000 A shares of the company to Beijing National Mechanical And Electrical Holding Company Limited. After the transfer, the number of total shares of the company is not changed. Beijing National Mechanical And Electrical Holding Company Limited, the parent company, holds 20,162,000 shares, 47.48% of the total shares. This voluntary transfer was approved by State-owned Assets Supervision and Administration Commission at 1 September 2012.

The company received Transfer Registration Confirmation at China Securities Depository and Clearing Corporation Limited Shanghai Office at 7 December 2012, and the transfer procedure was completed,

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

Name	1 Jan 2012	Increase	Decrease	31 Dec 2012
Beijing National Capital Mechanical And Electrical Holding Company Limited	163,454.55	14,104.16	0.00	177,558.71

3) Shareholding (RMB 0,000) of parent company and changes

Name	Amount of Shareholding		Percentage of Shareholding (%)	
	31 Dec 2012	1 Jan 2012	31 Dec 2012	1 Jan 2012
Beiren Group Corporation	0.00	20,162.00	0.00	47.78
Beijing National Capital Mechanical And Electrical Holding Company Limited	20,162.00	0.00	47.78	0.00

(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 2012	Increase	Decrease	31 Dec 2012
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 2012	1 Jan 2012	31 Dec 2012	1 Jan 2012
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	21,050,000.00	21,000,000.00	100.00	99.76

(3) Associated companies

See Note VII 8 (4).

(4) Other related parties

Relationship	Name	Transaction	Organisation number
Under the same parent company	Beiren Corporation Group	Goods sales, rental of spaces	10110132-9
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
Under the same parent company	Beijing Jingcheng Nagano Construction Machinery Co. Ltd	Rental of spaces	58587627-7

NOTES TO THE FINANCIAL STATEMENT

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

2. Related parties transactions

(1) Consolidated

1) Purchase of goods or accepting service

Name	Nature of transactions	Pricing method and decision making process	Jan-Dec 2012		Jan-Dec 2011	
			Amount	Percent (%)	Amount	Percent (%)
Associated companies						
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Purchasing raw materials	Agreed price	0.00	0.00	2,649,527.64	2.21
Beijing Beiyong Casting Co. Ltd.	Purchasing raw materials	Agreed price	10,304,924.41	8.08	15,420,400.94	12.89
Beijing Monigraf Automations Co. Ltd.	Purchasing raw materials	Agreed price	9,735,726.25	7.63	14,452,580.64	12.08
Under the same parent company						
Beijing Jingcheng Industry Logistics Co.,Ltd	Purchasing raw materials	Agreed price	25,628,822.88	20.09	16,732,427.11	13.98
Beiren Corporation Group	Trademark usage fee	Agreed price	3,519,440.35	100.00	3,372,149.51	100.00
Beiren Corporation Group	Billboard	Agreed price	37,634.85	0.00	40,349.64	0.00
Beiren Corporation Group	Materials	Agreed price	6,274,899.30	4.92	0.00	0.00
Total			55,501,448.04		52,667,480.48	

2) Sales of goods

Name	Nature of transactions	Pricing method and decision making process	Jan-Dec 2012		Jan-Dec 2011	
			Amount	Percent (%)	Amount	Percent (%)
Associated companies						
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co.	Water and electricity	Agreed price	0.00	0.00	117,634.92	6.16
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co.	Materials and commission	Agreed price	0.00	0.00	13,092,177.40	3.42
Beijing Monigraf Automations Co. Ltd.	Water and electricity	Agreed price	14,092.91	0.40	20,216.50	1.06
Under the same parent company						
Haimen	Materials	Agreed price	0.00	0.00	917.08	0.00
Beijing Jingcheng Industry Logistics Co.,Ltd	Water and electricity	Agreed price	39,032.48	1.12	0.00	0.00
Beijing Jingcheng Industry Logistics Co.,Ltd	Materials	Agreed price	545,469.57	0.43	6,443,187.38	28.09
Beijing Jingcheng Nagano Construction Machinery Co. Ltd	Water and electricity	Agreed price	516,926.35	14.83	0.00	0.00
Beijing Jingcheng Nagano Construction Machinery Co. Ltd	Materials	Agreed price	256,410.26	0.20	0.00	0.00
Beiren Corporation Group	Water and electricity	Agreed price	224,507.73	6.44	29,802.38	1.56
Beiren Corporation Group	Materials	Agreed price	6,474,785.47	0.88	0.00	0.00
Total			8,071,224.77		19,703,935.66	

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

2. **Related parties transactions** *(cont'd)*
(1) **Consolidated** *(cont'd)*
3) **Lease**

Lessor	Lessee	Assets rental information	Start date	Expire date	Rental income	Basis of income	Effect of rental income
The Company	Beijing Beiyong Casting Co. Ltd.	Land, Building	2012-01-01	2012-12-31	4,407,064.68	Agreed price	4,407,064.68
The Company	Beiren Corporation Group	Building	2012-07-01	2012-12-31	624,551.48	Agreed price	624,551.48
The Company	Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Building	2012-02-01	2012-07-31	156,589.00	Agreed price	156,589.00
The Company	Beijing Jingcheng Industry Logistics Co., Ltd	Building	2012-06-01	2013-05-31	214,620.00	Agreed price	214,620.00
The Company	Beijing Monigraf Automations Co. Ltd.	Building	2010-01-01	2019-12-31	100,662.00	Agreed price	100,662.00
The Company	Beijing Jingcheng Nagano Construction Machinery Co. Ltd	Building	2012-01-01	2013-02-28	4,156,845.00	Agreed price	4,156,845.00

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	2012-02-28	2013-02-28	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	55,000,000.00	2012-03-22	2013-03-21	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	44,500,000.00	2012-03-28	2013-03-28	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	30,000,000.00	2012-04-13	2013-04-12	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	45,000,000.00	2012-09-14	2013-09-13	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	40,000,000.00	2012-11-29	2013-11-29	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	50,000,000.00	2012-12-28	2013-12-27	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	2012-04-13	
Beiren Corporation Group	8,000,000.00	2012-07-26	2012-09-26	

NOTES TO THE FINANCIAL STATEMENT

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

2. Related parties transactions (cont'd)

(2) Parent Company

1) Purchase of goods or accepting service

Name	Nature of transactions	Pricing method and decision making process	Jan-Dec 2012		Jan-Dec 2011	
			Amount	Percent (%)	Amount	Percent (%)
Associated companies						
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Purchasing raw materials	Agreed price	0.00	0.00	2,649,572.64	2.21
Beijing Beiyong Casting Co. Ltd.	Purchasing raw materials	Agreed price	10,304,924.41	8.08	15,420,400.94	12.89
Beijing Monigraf Automations Co. Ltd.	Purchasing raw materials	Agreed price	9,735,726.25	7.63	14,452,580.64	12.08
Under the same parent company						
Beijing Jingcheng Industry Logistics Co.,Ltd	Purchasing raw materials	Agreed price	25,628,822.88	20.53	16,732,427.11	13.98
Beiren Corporation Group	Trademark usage fee	Agreed price	3,519,440.35	100.00	3,372,149.51	100.00
Beiren Corporation Group	Billboard	Agreed price	37,634.85	0.00	40,349.64	0.00
Beiren Corporation Group	Materials	Agreed price	1,068,376.07	0.84	0.00	0.00
Total			50,294,924.81		52,667,480.48	

2) Sales of goods

Name	Nature of transactions	Pricing method and decision making process	Jan-Dec 2012		Jan-Dec 2011	
			Amount	Percent (%)	Amount	Percent (%)
Associated companies						
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co.	Water and electricity	Agreed price	0.00	0.00	117,634.92	6.16
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co.	Materials and commission	Agreed price	0.00	0.00	13,092,177.40	3.42
Beijing Monigraf Automations Co. Ltd.	Water and electricity	Agreed price	14,092.91	0.40	20,216.50	1.06
Under the same parent company						
Haimen	Agreed price	0.00	0.00	917.08	0.00	
Beijing Jingcheng Industry Logistics Co.,Ltd	Water and electricity	Agreed price	39,032.48	1.12	0.00	0.00
Beijing Jingcheng Industry Logistics Co.,Ltd	Materials	Agreed price	545,469.57	0.43	6,443,187.38	28.09
Beijing Jingcheng Nagano Construction Machinery Co. Ltd	Water and electricity	Agreed price	516,926.35	14.83	0.00	0.00
Beijing Jingcheng Nagano Construction Machinery Co. Ltd	Materials	Agreed price	256,410.26	0.20	0.00	0.00
Beiren Corporation Group	Water and electricity	Agreed price	224,507.73	6.44	29,802.38	1.56
Total			1,596,439.30		19,703,935.66	

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

2. **Related parties transactions** *(cont'd)*
 (2) **Parent Company** *(cont'd)*
 3) **Lease**

Lessor	Lessee	Assets rental information	Start date	Expire date	Rental income	Basis of income	Effect of rental income
The Company	Beijing Beiyong Casting Co. Ltd.	Land, housing	2012-01-01	2012-12-31	4,407,064.68	Agreed price	4,407,064.68
The Company	Beiren Corporation Group	housing	2012-07-01	2012-12-31	624,551.48	Agreed price	624,551.48
The Company	Beijing National Capital Mechanical And Electrical Holding Company Limited	housing	2012-02-01	2012-07-31	156,589.00	Agreed price	156,589.00
The Company	Beijing Jingcheng Industry Logistics Co.,Ltd	housing	2012-06-01	2013-05-31	214,620.00	Agreed price	214,620.00
The Company	Beijing Monigraf Automations Co. Ltd.	housing	2010-01-01	2019-12-31	100,662.00	Agreed price	100,662.00
The Company	Beijing Jingcheng Nagano Construction Machinery Co. Ltd	housing	2012-01-01	2013-02-28	4,156,845.00	Agreed price	4,156,845.00
The Company	Beijing Beiren Fuji Printing Machinery Company Limited	housing	2012-01-01	2012-12-31	2,304,430.00	Agreed price	2,304,430.00
The Company	Shanbei Beiren Printing Machinery Company Limited	housing	2012-09-01	2022-08-31	11,400.00	Agreed price	11,400.00

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	2012-02-28	2013-02-28	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	55,000,000.00	2012-03-22	2013-03-21	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	44,500,000.00	2012-03-28	2013-03-28	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	30,000,000.00	2012-04-13	2013-04-12	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	45,000,000.00	2012-09-14	2013-09-13	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	40,000,000.00	2012-11-29	2013-11-29	See VII. 16
Beijing National Capital Mechanical And Electrical Holding Company Limited	50,000,000.00	2012-12-28	2013-12-27	See VII. 16

5) **Lends with related parties**

Name of related party	Amount	Starting date	Expiration date	Note
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	30,000,000.00	2011-10-13	2012-04-13	

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

2. Related parties transactions *(cont'd)*

(3) Consolidated and parent company

1) Key administration staff salary

	Jan-Dec 2012	Jan-Dec 2011
Key administration staff salary	3,572,952.72	4,081,775.76
Item	Jan-Dec 2012	Jan-Dec 2011
Fees	388,355.00	299,135.00
Salaries and other benefits	3,057,383.80	3,689,707.00
Retirement benefits scheme contributions	127,213.92	92,933.76
Total emoluments	3,572,952.72	4,081,775.76

The emoluments of key administration staff are analysed as follows:

Name and Post	Jan-Dec 2012			Total emoluments
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors:				
Zhang Pei-Wu	92,840.00	281,929.96	13,116.24	387,886.20
Chen Bang-She (Appointed on 15 March 2012)	68,355.00	238,134.15	10,091.52	316,580.67
Jiang Chi (Appointed on 15 March 2012)	67,160.00	272,420.96	13,116.24	352,697.20
Zhao Guo-Rong (Resigned on 12 January 2012)	0.00	0.00	0.00	0.00
Non-executive directors:				
Teng Ming-Zhi	0.00	0.00	0.00	0.00
Wu Dong-Bo	0.00	0.00	0.00	0.00
Li Sheng-Gao	0.00	0.00	0.00	0.00
Wei Li	0.00	0.00	0.00	0.00
Independent non-executive directors:				
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
Zhang Shuang-Ru (Appointed on 11 May 2012)	0.00	0.00	0.00	0.00
Xu Wen-Cai (Resigned on 11 May 2012)	40,000.00	0.00	0.00	40,000.00
Supervisors:				
Wang Lian-Sheng	0.00	390,645.96	13,116.24	403,762.20
Guo Xuan	0.00	22,550.54	2,016.48	24,567.02
Wang Hui-Ling	0.00	184,070.84	12,603.12	196,673.96
Other key management				
Jiao Rui-Fang (Board Of Directors Secretary)	0.00	390,775.96	13,116.24	403,892.20
Kong Da-Gang (Associate Manager)	0.00	382,655.96	13,116.24	395,772.20
Cheng Chang-Ge (Associate Manager)	0.00	367,809.96	13,116.24	380,926.20
Xue Ke-Xin (Associate Manager) (Appointed on 15 March 2012)	0.00	265,900.96	13,116.24	279,017.20
Cheng Tian-Ming (Associate Manager) (Appointed on 15 March 2012)	0.00	260,488.55	10,689.12	271,177.67
	388,355.00	3,057,383.80	127,213.92	3,572,952.72

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

2. Related parties transactions *(cont'd)*

(3) Consolidated and parent company

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

Name and Post	Fees	Jan-Dec 2011		Total emoluments
		Salaries and other benefits	Retirement benefits scheme contributions	
Executive directors:				
Zhao Guo-Rong (Resigned on 12 January 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)	0.00	557,978.75	11,980.80	569,959.55
Kong Da-Gang (Associate Manager)	0.00	560,378.75	11,980.80	572,359.55
Cheng Chang-ge (Associate Manager)	0.00	406,295.75	11,980.80	418,276.55
Jiang Chi (Total Accountant) (Appointed on 27 October 2011)	0.00	38,496.81	3,024.72	41,521.53
Total	299,135.00	3,689,707.00	92,933.76	4,081,775.76

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 2012. No key management waived any emolument for the two years ended 31 December 2012.

2) Employees' emoluments

Of the Eight individuals with the highest emoluments in the Group, all were members of key management of the Company whose emoluments are included in the disclosures in note VIII (2) 3 above.

NOTES TO THE FINANCIAL STATEMENT

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

3. Balance of related-party transactions

(1) Consolidated

1) Accounts receivable of related parties

Item	31 Dec 2012	1 Jan 2012
Associated companies Beijing Beiyong Casting Co. Ltd.	1,101,766.17	0.00
Total	1,101,766.17	0.00
Less bad debts provisions	0.00	0.00
Total	1,101,766.17	0.00

2) Others receivable of related parties

Item	31 Dec 2012	1 Jan 2012
Associated companies Beijing Monigraf Automations Co. Ltd.	141,834.59	0.00
Total	141,834.59	0.00
Less bad debts provisions	0.00	0.00
Total	141,834.59	0.00

3) Accounts payables of related parties

Item	31 Dec 2012	1 Jan 2012
Associated companies		
Beijing Monigraf Automations Co. Ltd.	4,308,214.25	9,549,820.51
Beijing Beiyong Casting Co. Ltd.	2,330,860.25	2,394,628.29
Company under common control		
Beijing Jingcheng Industry Logistics Co.,Ltd	25,341,472.83	11,029,499.55
Beiren Corporation Group	910,174.84	0.00
Total	32,890,722.17	22,973,948.35

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)*

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

(1) Consolidated *(cont'd)*

4) Others payables of related parties

Item	31 Dec 2012	1 Jan 2012
Company under common control		
Beijing Jingcheng Nagano Construction Machinery Co. Ltd	718,198.00	0.00
Beiren Corporation Group	1,319,653.14	0.00
Total	2,037,851.14	0.00

5) Receivables in Advance with related parties

Related party	31 Dec 2012	1 Jan 2012
Company under common control		
Haimen Beiren Printing Machinery Co., Ltd.	29,711.82	0.00

6) Entrusted loans with related parties

Related party	31 Dec 2012	1 Jan 2012
Parent company		
Beijing National Capital Mechanical And Electrical Holding Company Limited	300,000,000.00	180,000,000.00

7) Specific payables

Item	31 Dec 2012	1 Jan 2012
Parent company		
Beijing National Capital Mechanical And Electrical Holding Company Limited	15,816,954.60	15,073,413.38

(2) Parent Companies

1) Accounts receivable of related parties

Item	31 Dec 2012 Amount	1 Jan 2012 Amount
Associated companies		
Beijing Beiyong Casting Co. Ltd.	1,101,766.17	0.00
Subsidiaries		
Beijing Beiren Jingyan Printing Machinery Factory	8,471,823.34	8,826,823.34
Total	9,573,589.51	8,826,823.34
Less bad debts provisions	0.00	0.00
Total	9,573,589.51	8,826,823.34

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

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

(2) Parent Companies *(cont'd)*

2) Others receivable of related parties

Item	31 Dec 2012 Amount	1 Jan 2012 Amount
Associated companies		
Beijing Monigraf Automations Co. Ltd.	141,834.59	0.00
Subsidiaries		
Beijing Beiren Jingyan Printing Machinery Factory Machinery Factory	981,517.75	765,777.13
Total	1,123,352.34	765,777.13
Less bad debts provisions	0.00	0.00
Total	1,123,352.34	765,777.13
3) Prepayments of related parties		
Item	31 Dec 2012	1 Jan 2012
Subsidiaries		
Beijing Beiren Jingyan Printing Machinery Factory	3,578,452.48	0.00
4) Other short-term assets (entrusted loans) of related parties		
Item	31 Dec 2012	1 Jan 2012
Subsidiaries		
Beijing Beiren Jingyan Printing Machinery Factory	90,000,000.00	95,000,000.00
5) Account payables of related parties		
Item	31 Dec 2012	1 Jan 2012
Associated companies		
Beijing Monigraf Automations Co. Ltd.	4,308,214.25	9,549,820.51
Beijing Beiyong Casting Co. Ltd.	2,330,860.25	2,394,628.29
Companies under common control		
Beijing Jingcheng Industry Logistics Co.,Ltd	25,341,472.83	11,029,499.55
Beiren Corporation Group	910,174.84	0.00
Total	32,890,722.17	22,973,948.35
6) Others payables of related parties		
Item	31 Dec 2012	1 Jan 2012
Company under common control		
Beijing Jingcheng Nagano Construction Machinery Co. Ltd	718,198.00	0.00
Beiren Corporation Group	1,319,653.14	0.00
Subsidiaries		
Beijing Beiren Jingyan Printing Machinery Factory	21,917,321.02	21,916,821.02
Total	23,955,172.16	21,916,821.02

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)*

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

(2) Parent Companies *(cont'd)*

7) Receivables in advance with related parties

Related party	31 Dec 2012	1 Jan 2012
Company under common control Haimen Beiren Printing Machinery Co., Ltd.	29,711.82	0.00

8) Entrusted loans with related parties

Related party	31 Dec 2012	1 Jan 2012
Parent company Beijing National Capital Mechanical And Electrical Holding Company Limited	300,000,000.00	180,000,000.00

9) Specific payables

Item	31 Dec 2012	1 Jan 2012
Parent company Beijing National Capital Mechanical And Electrical Holding Company Limited	15,816,954.60	15,073,413.38

IX SHARE-BASED PAYMENT

As of 31 Dec 2012 the Group has no share-based payment.

X CONTINGENCIES

As of 31 Dec 2012, there is no other significant contingent event for the Group in the current accounting period.

XI MATTERS OF MAJOR COMMITMENTS

1. Consolidated

(1) Significant commitment

The Company and 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 trademark product sales revenue annually as the mark of the quarter royalties respectively. By each year, the trademark usage fees shall not be less than RMB 15,000 not more than RMB 6,000,000.00.

(2) Signed or executed lease agreement and its influence

At the end of 2012, as a lessor, the company's irrevocable operating leases of rental projects are summarized at the lowest rent receivables.

Period	31 Dec 2012	1 Jan 2012
Within a year	676,325.55	160,662.00
1-2 years	348,549.00	261,324.00
2-3 years	336,186.00	336,986.00
Over 3 years	347,586.00	402,648.00
Total	1,708,646.55	1,161,620.00

(3) As of 31 Dec 2012, the company has no other significant issues happened besides for these commitments above.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

XI MATTERS OF MAJOR COMMITMENTS (cont'd)

2. Parent company

(1) Significant commitment

The Company and 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 trademark product sales revenue annually as the mark of the quarter royalties respectively. By each year, the trademark usage fees shall not be less than RMB 15,000 not more than RMB 6,000,000.00.

(2) Signed or executed lease agreement and its influence

At the end of 2012, as a lessor, the company's irrevocable operating leases of rental projects are summarized at the lowest rent receivables.

Period	Year 2012	Year 2011
Within a year	676,325.55	160,662.00
1-2 years	348,549.00	261,324.00
2-3 years	336,186.00	336,986.00
Over 3 years	347,586.00	402,648.00
Total	1,708,646.55	1,161,620.00

(3) As of 31 Dec 2012, the company has no other significant issues happened besides for these

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 completed liquidation, and acquired the logout register certification of Beijing foreign-invested corporation, at 16 January 2013.

2. The company's major assets replacement, an associated transaction, was approved unconditionally by China Securities Regulatory Commission Merger and Acquisition of Listed Company Committee at 21 January 2013. At 25 January 2013, the company received notification from China Securities Regulatory Commission that for suspected illegal parties, the company's major assets replacement examination has been suspended.

3. The proposal was approved at the seventh interim meeting of the seventh board meeting that the company found wholly-owned subsidiary, Beijing Beiren Printing Equipment Co. Ltd., with registered capital of RMB 1,000,000.00. According to the eighth interim meeting of the seventh board meeting, the registered capital increased RMB 352,802,300.00, insisting of RMB 105,140,700.00 in cash and RMB 247,661,600.00 in housing and land-use rights of the company at Yi Zhuang (the assessed value of housing and land-use rights is RMB 446,585,700.00 of which RMB 247,661,600.00 listed as registered capital and RMB 198,924,100.00 listed as capital surplus.). The total amount of capital increase is RMB 551,726,400.00, and the total investment after capital increase is RMB 552,726,400.00.

The stated physical asset company was assessed by Beijing China Faith Appraisers Co., Ltd. And the assessment results obtained ratification of Beijing municipal people's government-owned assets supervision and administration commission approval of *Beiren Printing Machinery Co Ltd assessment project of the fund of a new company by the investment of Yi Zhuang land and building* (Beijing Stated-Owned Assets Right [2013]8) The stated investment has not been audited.

4. Amount of Payment after Balance Sheet Date

Item	Amount
More than one year large amount Accounts Payable	12,794,668.66
More than one year large amount Received in advance	14,461.32
More than one year large amount Other Payable	0.00
Outstanding expired Short-term Loans	0.00
Late-term Loans	0.00

5. Except for the above-mentioned event, there are no other significant events after the balance date.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
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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.

XIV 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 7) The nature of these financial instruments and the related financial risk management policies are disclosed as following:

1. Financial risk management target and policy

The risk management targets of the company are to achieve the balance between risks and earnings, to reduce negative influences of risks as much as possible on operation performance, and to the obtain profits for shareholders and other investors. Based on the targets, the strategies of risk management are to assure and analyze all kinds of risks of the company, to build appropriate risk-bearing bottom line and practice risk management, to promptly and reliably supervise risks, and to control and limit risks.

(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. At the end of 31 Dec 2012, 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	31/12/2012		01/01/2012	
	Foreign currency	RMB	Foreign currency	RMB
Cash		213,401.84		633,841.19
USD	16,943.93	106,501.07	82,754.89	521,430.30
EUR	10.49	87.22	10.39	84.81
JPY	614,518.67	44,859.91	621,153.00	50,377.37
HKD	76,410.51	61,953.64	76,413.85	61,948.71
Accounts receivables		8,345,116.88		3,857,628.35
USD	1,327,677.49	8,345,116.88	611,033.00	3,857,628.35
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		0.00		127,684.62
JPY	0.00	0.00	1,530,000.00	127,684.62
Received in advance		5,925,759.97		1,215,980.67
USD	942,766.68	5,925,759.97	157,833.00	1,108,530.81
EUR	0.00	0.00	12,198.00	107,449.86
TOTAL		- 23,572,519.69		- 14,923,375.83

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.

3) Price risk management

Printers are sold at market price. The company is influenced by the variation of market price.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
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XIV FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(cont'd)*

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

(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:

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, 3.08% (5.02%, last year) and 12.55%(14.86%, 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 51,770,200.00RMB, while at the beginning of the year is 54,050,000.00 RMB.

XV OTHER SIGNIFICANT ISSUES

1. Exchange of non-monetary assets

By the date of December 31, 2012, there is no non-monetary assets exchange transaction.

2. Debt restructuring

By the date of December 31, 2012, there is no significant debt restructuring transaction.

3. Lease

Operating lease (leser)

Items	31 Dec 2012	1 Jan 2012
Land	15,937,798.64	16,306,302.56
Buildings	107,922,562.27	86,425,896.81
Total	123,860,360.91	102,732,199.37

4. Foreign currency financial assets and liabilities

Items	1 Jan 2012	Changes in fair value	Accumulated changes in fair value charged in equity	Provision for impairment	31 Dec 2012
Financial assets					
Cash	633,841.19	0.00	0.00	0.00	213,401.84
Accounts receivable	3,857,628.35	-	-	105,192.90	8,345,116.88
Other receivables	9,088,241.00	0.00	0.00	0.00	9,088,241.00
Total	13,579,710.54	-	-	105,192.90	17,646,759.72
Financial liabilities	0.00	-	-	-	0.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
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XV OTHER SIGNIFICANT ISSUES (cont'd)

5. Barter transactions

The Company and controlling shareholder, Jingcheng Holding Beiren Group Corporation have reached an agreement of barter transactions in November, 2012. The agreement said that the company would trade with all assets and liabilities, for Jingcheng Holding's assets related with gas storage and transportation equipment business, the balance would be settled with cash. The projected outflow of assets are owned by the company, and the projected inflow of assets are the 71.56% share of Beijing Tianhai Industrial Co., Ltd., owned by Jingcheng Holding; 100% share of Jingcheng Holdings (Hong Kong) Ltd., and 100% share of Beijing Jingcheng Compressor Co., Ltd., net of environmental section. By the date of December 31, 2012, the barter transaction has not yet finished. Jingcheng Holding is currently processing the capital increase procedures of 230,000,000 RMB to the Beijing Tianhai Industrial Co., Ltd. Should the procedure finish, the holding shares would rise up to 88.51%.

The significant barter transaction and related party issues have been authorized by Reorganization Committee of Listed Companies, China Securities Regulatory Commission, on January 21th, 2013, and have been unconditionally approved.

On January 25th, 2013, the Company has been informed by China Securities Regulatory Commission, the approval of barter transactions is temporarily suspended because the transactions are suspected illegal.

XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS

1. Cash

Item	31st Dec 2012			1st Jan 2012		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Cash on hand Inc.CHY	8,198.90		8,198.90	8,733.74		8,733.74
Cash in bank Inc.CHY	150,120,775.27		150,183,983.91	133,399,666.78		133,461,929.34
USD	185.79	6.2855	1,167.78	36.35	6.3009	229.04
HKD	76,410.51	0.8108	61,953.64	76,413.85	0.8107	61,948.71
EUR	10.49	8.3176	87.22	10.39	8.1625	84.81
Total	-	-	150,192,182.81	-	-	133,470,663.08

2. Notes receivable (1) Category

Category	31st Dec 2012	1st Jan 2012
Bank acceptance notes	17,884,090.19	16,108,400.00

(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	Jiangxi Blue Ocean International Trade Co., Ltd.	2012.10.16	2013.04.16	1,000,000.00
Bank acceptance notes	Henan Highway Engineering Materials Co., Ltd.	2012.10.23	2013.04.23	1,000,000.00
Bank acceptance notes	Jiangxi Blue Ocean International Trade Co., Ltd.	2012.07.02	2013.01.02	1,820,000.00
Bank acceptance notes	Nanjing Tianchou Trading Company	2012.10.09	2013.04.09	1,200,000.00
Bank acceptance notes	Jiangxi Blue Ocean International Trade Co., Ltd.	2012.07.02	2013.01.02	3,530,000.00
Total				8,550,000.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (cont'd)

3. Accounts receivable

Items	31st Dec 2012	1st Jan 2012
Accounts receivable	201,699,355.63	185,910,414.99
Less: Bad debts	86,658,857.32	83,802,252.50
Total	115,040,498.31	102,108,162.49

(1) Aging of accounts receivable

Prior to client acceptance, the Group evaluate the credibility of the potential client using the Group's internal credit evaluation policies, with no specific credibility time limit. For domestic sales, the Group, according to the contract, when the receipts percentage meet the requirements of inspection, starts to recognize accounts receivable and operating revenue when goods delivered to the customers, at the same time starts to age the accounts receivable. For export sales, the Group, starts to recognize accounts receivable and operating revenue at the declaration day of the Customs, at the same time starts to age the accounts receivable. And the aging analysis for the accounts receivable is listed below:

Items	31st Dec 2012	1st Jan 2012
AccWithin 1 year	78,080,280.01	67,631,201.08
1-2 years	32,793,039.29	29,210,221.11
2-3 years	4,167,179.01	5,266,740.30
Over 3 years	0.00	0.00
Total	115,040,498.31	102,108,162.49

(2) Classification for accounts receivable

Category	31st Dec 2012				1st Jan 2012			
	Book value		Bad debts		Book value		Bad debts	
	Amount	Percent%	Amount	Percent%	Amount	Percent%	Amount	Percent %
Accounts receivable that are individually significant and are provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable that are provided for bad debts on portfolio basis	-	-	-	-	-	-	-	-
Aged group	192,125,766.12	95.25	86,658,857.32	45.11	170,634,781.65	91.78	77,482,252.50	45.41
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	9,573,589.51	4.75	0.00	0.00	15,275,633.34	8.22	6,320,000.00	41.37
Total	201,699,355.63	100.00	86,658,857.32	-	185,910,414.99	100.00	83,802,252.50	-

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
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XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS *(cont'd)*

3. Accounts receivable *(cont'd)*

(2) Classification for accounts receivable *(cont'd)*

1) Accounts receivable that are individually insignificant but are individually provided for bad debts

Company Name	Amount	Bad debts provision	Rate (%)	Reason for bad debts provision
Beijing Beiyong Molding Co., Ltd.	1,101,766.17	0.00	0.00	Collectable
Beijing Beiren Jingyan Printing Machinery Co., Ltd.	8,471,823.34	0.00	0.00	The subsidiary didn't account for provision for bad debts
Total	9,573,589.51	0.00	0.00	

2) Aging of accounts receivable within the group

Item	31 Dec 2012			1 Jan 2012		
	Amount	Percent (%)	Bad debts provision	Amount	Percent (%)	Bad debts provision
Within 1 year	81,182,900.75	42.26	0.00	63,538,003.98	37.24	0.00
1-2 years	28,738,327.19	14.96	8,621,498.16	29,185,159.71	17.10	8,755,547.91
2-3 years	10,417,947.53	5.42	6,250,768.52	22,962,283.42	13.46	13,777,370.05
Over 3 years	71,786,590.65	37.36	71,786,590.65	54,949,334.54	32.20	54,949,334.54
Total	192,125,766.12	100.00	86,658,857.33	170,634,781.65	100.00	77,482,252.50

(3) Accounts receivables aging over 1 year with no impairment

Items	31st Dec 2012	1st Jan 2012
1-2 years	3,374,280.81	0.00
2-3 years	0.00	5,877,436.24
3-4 years	4,297,458.53	5,305,000.00
Over 4 years	0.00	0.00
Total	7,671,739.34	11,182,436.24

Note: As to the third party, the accounts receivable that aged over 1 year, make provision for bad debts using aged group methods; as to the subsidiary and associates, no provision for bad debts are made because the money is assumed collectable.

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

(5) Accounts receivables written off during this period are 216,289.63 RMB.

Name	Nature of accounts receivable	Amount written off	Reasons for written off	Whether arising from related party transactions?
Liaoning Venda Printing Materials Co., Ltd.	Receivables for selling goods	216,289.63	Uncollectible	No.

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

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XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (cont'd)

3. Accounts receivable (cont'd)

(7) The top five customers of accounts receivable:

Company Name	Relationship	Amount	Age	Proportion in Accounts Receivable (%)
The Fujian Daily (Quanzhou) Printing Co., Ltd.	Customer	9,060,000.00	Within 1 year	4.49
Kaifeng Daily	Customer	6,020,000.00	Within 1 year	2.98
Linyi Daily	Customer	8,285,000.00	Within 1 year: 4,305,000.00 1-2 years: 3,980,000.00	4.11
Chengdu Beiren Printing Materials Company	Customer	3,396,809.94	Within 1 year: 1,100,000.00 1-2 years: 2,296,809.94	1.68
Xinyang Daily Printing Company	Customer	2,008,000.00	1-2 years	1.00
Total		28,769,809.94		14.26

(8) The balance of accounts receivable from related parties:

Company Name	Relationship	Amount	Proportion in Accounts Receivable (%)
Beijing Beiren Jingyan Printing Machinery Co., Ltd.	Subsidiary	8,471,823.34	4.20
Beijing Beiyong Molding Co., Ltd.	Associates	1,101,766.17	0.55
Total		9,573,589.51	4.75

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

Foreign currency	31 Dec 2012			1 Jan 2012		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange Rate	RMB
USD	940,732.75	6.2855	5,912,975.72	231,400.00	6.3320	1,475,386.28

4. Advance to suppliers

(1) Aging of advances to suppliers

Item	31 Dec 2012		1 Jan 2012	
	Amount	Percentage%	Amount	Percentage%
Within 1 year	7,226,015.79	97.18	1,879,561.11	93.90
1-2 years	210,000.00	2.82	122,000.00	6.10
2-3 years	0.00	0.00	0.00	0.00
Over 3 years	0.00	0.00	0.00	0.00
Total	7,436,015.79	100.00	2,001,561.11	100.00

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(Prepared under PRC Accounting Standards)
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XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (cont'd)

4. Advance to suppliers (cont'd)

(2) The main units of advance to suppliers

Name	Relationship with the Group	Amount	Aging	Reasons for pending
Beijing Beiren Jingyan Printing Machinery Co., Ltd.	Subsidiary	3,578,452.48	within a year	not delivered
Beijing Bell Institute for New Technologies	company's suppliers	250,000.00	within a year	not delivered
Mai Beige Machine Manufacturing (Shanghai) Co., Ltd.	company's suppliers	224,844.41	within a year	not delivered
The Wuqing District hexiwu stamping factory	company's suppliers	201,047.87	within a year	not delivered
Hebei decorating and printing Machinery Co., Ltd.	company's suppliers	150,000.00	within a year	not delivered
Total		4,404,344.76		

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

(4) The balance advanced payments to related parties:

Company Name	Relationship	Amount	Proportion in Accounts Receivable (%)
Beijing Beiren Jingyan Printing Machinery Co., Ltd.	Subsidiary	3,578,452.48	48.12

5. Dividends receivable

Items	Beginning balance	Increase	Decrease	Ending balance	Reasons for not yet recovered	Whether impaired?
Within 1 year	0.00	0.00	0.00	0.00		
Over 1 year	113,600.00	0.00	0.00	113,600.00	Funding constraints	No.
Including: Beijing Beiyong Casting Co., LTD	113,600.00	0.00	0.00	113,600.00	Funding constraints	No.
Total	113,600.00	0.00	0.00	113,600.00		

6. Other receivables

Items	31st Dec 2012	1st Jan 2012
Other receivables	15,794,026.07	19,223,173.40
Less: Bad debt	9,961,773.16	12,137,525.54
Total	5,832,252.91	7,085,647.86

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
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XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (cont'd)

6. Other receivables (cont'd)

(1) Aging of other receivables

Items	31st Dec 2012	1st Jan 2012
Within 1 year	2,116,167.49	3,926,533.88
1-2 years	1,476,779.17	1,109,852.27
2-3 years	690,044.54	817,911.12
Over 3 years	1,549,261.71	1,231,350.59
Total	5,832,252.91	7,085,647.86

(2) Classification for other receivables

Items	31 Dec 2012				1 Jan 2012			
	Book value Amount	Percent%	Bad debts Amount	Percent %	Book value Amount	Percent %	Bad debts Amount	Percent %
Other receivables that are individually significant and are provided for bad debts on individual basis	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other receivables that are provided for bad debts on portfolio basis	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other receivables that are individually insignificant but are provided for bad debts on individual basis	15,794,026.07	100.00	9,961,773.16	63.07	19,223,173.40	100.00	12,137,525.54	63.14
Total	15,794,026.07	100.00	9,961,773.16	-	19,223,173.40	100.00	12,137,525.54	-

(3) Other receivables that are individually insignificant but are provided for bad debts on individual basis at the end of period

Company Name	Amount	Bad debts provision	Rate(%)	Reason for bad debts provision
Note 1	9,961,773.16	9,961,773.16	100.00	Difficult to collect Petty cash fund for employees and related parties
Note 2	5,832,252.91	0.00	0.00	
Total	15,794,026.07	9,961,773.16		

Note 1: The Group made provisions on 26 items of other receivables amounting to RMB 9,961,773.16 which are in longer age and difficult to collect.

Note 2: As to the petty cash fund of RMB 5,832,252.91 for employees and related parties, the Group didn't make provisions for bad debts.

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

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

6. Other receivables *(cont'd)*

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

Company name	Nature	Write-off amount	Reason	Whether caused by related transaction
Shaanxi Huanggong Engineering Group Printing Machine Co., Ltd.	Receivables for selling goods	1,769,000.00	Impossible to draw back	No
Ningxia Xinhua Printing	Investment funds	657,700.47	Impossible to draw back	No
Total		<u>2,426,700.47</u>		

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

(7) The balance of other receivable from related parties:

Company Name	Relationship	Amount	Proportion in Accounts Receivable (%)
Beijing Beiren Jingyan Printing Machinery Co., Ltd.	Subsidiary	981,517.75	6.21
Beijing Moni Automatic Control System Co., Ltd.	Associates	141,834.59	0.90
Total		<u>1,123,352.34</u>	<u>7.11</u>

(8) The top companies in other receivables:

Company Name	Relationship	Amount	Age	Proportion in accounts receivable (%)	Nature
Southeast Asia Rent receivable	Customer	9,088,241.00	Above 3 years	57.54	Note1
	Customer	1,424,613.03	1-2 years	9.02	Note 2
Total		<u>10,512,854.03</u>		<u>66.56</u>	

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: The rent receivable is rent, water and electricity receivable from the north forging machine tool plant and Beijing Youyuan.

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

Foreign currency	Foreign currency	31 Dec 2012 Exchange Rate	Amount (RMB)	Foreign currency	1 Jan 2012 Exchange Rate	Amount (RMB)
HKD	10,305,296.52	0.8108	9,088,241.00	10,305,296.52	0.8107	9,088,241.00

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XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (cont'd)

7. Inventory

(1) Categories of inventory

Item	31 Dec 2012			1 Jan 2012		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw materials	20,354,508.70	1,652,544.84	18,701,963.86	17,413,793.37	1,652,544.84	15,761,248.53
Work in progress	186,414,314.90	43,131,965.03	143,282,349.87	194,921,284.64	30,704,726.86	164,216,557.78
Finished goods	111,432,618.22	15,249,785.39	96,182,832.83	125,600,561.32	25,293,023.27	100,307,538.05
Self made semi-finished goods	8,899,896.26	0.00	8,899,896.26	8,843,882.62	0.00	8,843,882.62
Total	327,101,338.08	60,034,295.26	267,067,042.82	346,779,521.95	57,650,294.97	289,129,226.98

(2) Impairment provision for inventory

Item	1 Jan 2012	Increase	Decrease in this year		31 Dec 2012
			Reversal	Transferred out	
Raw materials	1,652,544.84	0.00	0.00	0.00	1,652,544.84
Work in progress	30,704,726.86	26,080,466.90	0.00	13,653,228.73	43,131,965.03
Storage goods	25,293,023.27	9,493,653.30	0.00	19,536,891.18	15,249,785.39
Total	57,650,294.97	35,574,120.20	0.00	33,190,119.91	60,034,295.26

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

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

8. Other current assets

Items	31st Dec 2012	1st Jan 2012
Trust loans	90,000,000.00	95,000,000.00

9. Long-term equity investments

(1) Categories of long-term equity investments

Item	31 Dec 2012	1 Jan 2012
Accounted in cost method	151,056,099.26	149,812,699.26
Accounted in equity method	14,742,035.65	15,660,364.86
Joint ventures	0.00	0.00
Associates	14,742,035.65	15,660,364.86
Total	165,798,134.91	165,473,064.12
Less: provision for impairment on long-term equity investments	0.00	0.00
Net book value	165,798,134.91	165,473,064.12

(2) Analysis of long-term equity investments

Item	31 Dec 2012	1 Jan 2012
Publically-traded	0.00	0.00
China (excluding Hong Kong)	0.00	0.00
Hong Kong	0.00	0.00
Other area	0.00	0.00
Sub-total	0.00	0.00
Non-publically-traded	165,798,134.91	165,473,064.12
Total	165,798,134.91	165,473,064.12

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

9. Long-term equity investments *(cont'd)* (6) Accounted in cost and equity method

Name of invested companies	Share holding%	Voting right%	Original amounts	1 Jan 2012	Increase or Decrease	Adjustment	Cash dividends for the year	Other equity changes	31 Dec 2012	Provision for impairment	Impairment loss for the year
In cost method											
Beiren Fushi	70	70	29,632,699.26	29,632,699.26	0.00	N/A	N/A	N/A	29,632,699.26	0.00	0.00
Beiren Jingyan	100	100	21,000,000.00	21,000,000.00	50,000.00	N/A	N/A	N/A	21,050,000.00		
Shanxi Beiren	86.24	86.24	99,180,000.00	99,180,000.00	0.00	N/A	N/A	N/A	99,180,000.00		
Beiren Di Purui	6	6	1,193,400.00	0.00	1,193,400.00	N/A	N/A	N/A	1,193,400.00	0.00	0.00
Sub-total			151,006,099.26	149,812,699.26	1,243,400.00				151,056,099.26	0.00	0.00
In equity method											
Beijing Monigraf Automations Co. Ltd.	49	49	3,675,000.00	8,971,923.43	0.00	39,224.04	0.00	0.00	9,011,147.47	0.00	0.00
Beijing Beiyong Moulding Co., Ltd.	20	20	1,136,000.00	6,688,441.43	0.00	-957,553.25	0.00	0.00	5,730,888.18	0.00	0.00
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	49	49	22,540,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub-total			27,351,000.00	15,660,364.86	0.00	-918,329.21	0.00	0.00	14,742,035.65	0.00	0.00
Total			178,357,099.26	165,473,064.12	1,243,400.00	-918,329.21			165,798,134.91	0.00	0.00

Note: The Company, Beijing Institute of Printing, Beijing Beiren Jingyan Printing Machinery Co., Ltd., Beijing Industrial Development Investment Management Co., Ltd., have formed a joint venture agreement on December 17th, 2012, and set up The Beiren Dipu Rui Printing Machinery Co., Ltd. (Beiren Dipu Rui), with a registered capital of 20,000,000 RMB. The company invested 9,262,800 RMB, accounted for 46.30% of the registered capital, in which the monetary investment is 1,193,400 RMB, finished goods investment is 5,524,000 RMB, machinery investment is 1,720,500 RMB, non-patent technology investment is 824,900 RMB; Beijing Institute of Printing invested 4,543,700 RMB with non-patent technology of the superior feeder, accounted for 22.70% of the registered capital; Beijing Beiren Jingyan Printing Machinery Co., Ltd. invested 1,193,500 RMB with facilities and machinery, accounted for 6% of the registered capital; Beijing Industrial Development Investment Management Co., Ltd. invested 5,000,000 RMB in cash, accounted for 25% of the registered capital. The shareholders should make full contribution in installments in 2 years since the registration date. The initial investment has been audited by Beijing Jinglong Certified Public Accountants Co., Ltd., who has issued a capital verification report (No. 251) on December 18th, 2012. The initial investment has been contributed in cash to an amount of 6,193,400 RMB, including the share of 1,193,400 RMB from the Company, accounted for 6% of the registered capital, accounted in cost method. Beiren Dipu Rui was issued the Business license on December 25th, 2012, by Beijing Municipal Administration for Industry and Commerce, Yanqing Branch, and the registration number is 110229015488927, the registered capital is 20,000,000 RMB. Paid-in capital: 6,193,400 RMB. Legal representative: Cheng Tianming. Business address: 500m west of Wang Quanying Village, Yanqing town, Yanqing County, Beijing.

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XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (cont'd)

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

(6) Accounted in cost and equity method (cont'd)

1) Investment in associated companies

Name of invested company	Nature	Registration	Address	Legal representative	Organization Code	Business Type	Registered Capital	Share holding%	Voting right%
Associated Company									
Beijing Monigraf Automations Co. Ltd.	Limited liability	Beijing	Beijing	Zhang Peiwu	600094442	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 Beiyong Casting Co. Ltd.	Limited liability	Beijing	Beijing	Chen Changge	802866623	Processing and selling the standardized parts during the corresponding system.	568.00	20.00	20.00
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	Joint venture	Beijing	Beijing	Kong Dagang	788602348	Printing machine production and sales, as well as the technical services	4,600.00	49.00	49.00

- 2) The acquisition price of 0.24% shares of minority shareholders of Beijing Beiren Jingyan Printing Machinery Co., Ltd. is 50,000 RMB, and increase the investment cost.

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.	2,373.06	567.31	1,805.75	1,925.85	8.00
Beijing Beiyong Casting Co. Ltd.	7,171.69	4,306.25	2,865.44	4,124.58	-478.78
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	0.00	0.00	0.00	0.00	0.00
Total	9,544.75	4,873.56	4,671.19	6,050.43	-470.78

10. Investment properties

(1) Accounted in cost method

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012
Original cost				
Buildings	7,986,177.80	0.00	0.00	7,986,177.80
Accumulated depreciation				
Buildings	1,247,082.03	182,616.45	0.00	1,429,698.48
Net book value				
Buildings	6,739,095.77	-	-	6,556,479.32
Impairment provision				
Buildings	0.00	0.00	0.00	0.00
Book value				
Buildings	6,739,095.77	-	-	6,556,479.32

Note: The amortization expense for investment properties recognized during current year is 182,616.45 RMB. (Last year: 188,237.16 year)

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

10. Investment properties *(cont'd)*

(2) Investment properties analyzed by region and year

Item	31 Dec 2012	1 Jan 2012
Inside China	6,556,479.32	6,739,095.77
Long-term (over 50 years)	0.00	0.00
Mid-term (10-50 years)	6,556,479.32	6,739,095.77
Short-term (within 10 years)	0.00	0.00
Outside China	0.00	0.00
Long-term (over 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (within 10 years)	0.00	0.00
Total	6,556,479.32	6,739,095.77

11. Fixed assets

(1) Fixed assets category

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012
Original Cost	856,749,533.20	540,383.93	2,448,909.81	854,841,007.32
Building	455,128,504.34	0.00	0.00	455,128,504.34
Machinery	348,715,375.27	0.00	0.00	348,715,375.27
Transportation facilities	7,467,495.00	0.00	559,653.50	6,907,841.50
Office equipment	45,438,158.59	540,383.93	1,889,256.31	44,089,286.21
Accumulated Depreciation	430,787,532.25	23,330,572.67	2,387,562.56	451,730,542.36
Building	124,275,087.10	11,941,244.58	0.00	136,216,331.68
Machinery	263,016,585.03	10,243,051.43	0.00	273,259,636.46
Transportation facilities	4,534,082.68	333,955.92	554,983.94	4,313,054.66
Office equipment	38,961,777.44	812,320.74	1,832,578.62	37,941,519.56
Net book value	425,962,000.95	—	—	403,110,464.96
Building	330,853,417.24	—	—	318,912,172.66
Machinery	85,698,790.24	—	—	75,455,738.81
Transportation facilities	2,933,412.32	—	—	2,594,786.84
Office equipment	6,476,381.15	—	—	6,147,766.65
Impairment provision	19,863,133.92	0.00	0.00	19,863,133.92
Building	0.00	0.00	0.00	0.00
Machinery	19,863,133.92	0.00	0.00	19,863,133.92
Transportation facilities	0.00	0.00	0.00	0.00
Office equipment	0.00	0.00	0.00	0.00
Net book value	406,098,867.03	—	—	383,247,331.04
Building	330,853,417.24	—	—	318,912,172.66
Machinery	65,835,656.32	—	—	55,592,604.89
Transportation facilities	2,933,412.32	—	—	2,594,786.84
Office equipment	6,476,381.15	—	—	6,147,766.65

- 1) An amount of RMB 23,330,572.67 was accrued in the year. (Last year: RMB 26,423,522.10)
- 2) For the increase of the fixed assets of the period, the amount transferred from construction in progress is nil.
- 3) Loss for disposal of fixed assets in current year is 66,467.30 RMB.

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XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (cont'd)

11. Fixed assets (cont'd)

(2) Buildings analyzed by region and year

Item	31 Dec 2012	1 Jan 2012
Inside China	318,912,172.66	330,853,417.24
Long-term (over 50 years)	0.00	0.00
Mid-term (10-50 years)	318,912,172.66	330,853,417.24
Short-term (within 10 years)	0.00	0.00
Outside China	0.00	0.00
Long-term (over 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (within 10 years)	0.00	0.00
Total	318,912,172.66	330,853,417.24

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

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

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

Item	Book Value
Buildings	<u>101,366,082.95</u>

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

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

12. Construction in progress

Name	31 Dec 2012			1 Jan 2012		
	Book balance	provision	Book value	Book balance	provision	Book value
Equipments in installation	3,370,890.54	0.00	3,370,890.54	990,807.56	0.00	990,807.56
Others	2,430,115.33	0.00	2,430,115.33	1,825,679.60	0.00	1,825,679.60
Total	5,801,005.87	0.00	5,801,005.87	2,816,487.16	0.00	2,816,487.16

13. Intangible assets

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012
Original Cost				
Land use right	104,789,105.77	0.00	0.00	104,789,105.77
Accumulated depreciation				
Land use right	20,150,279.90	2,029,668.00	0.00	22,179,947.90
Net book value				
Land use right	84,638,825.87	-	-	82,609,157.87
Impairment provision				
Land use right	0.00	0.00	0.00	0.00
Book value				
Land use right	<u>84,638,825.87</u>	<u>-</u>	<u>-</u>	82,609,157.87

Land use right analyzed by region and year

Item	31 Dec 2012	1 Jan 2012
Inside China	82,609,157.87	84,638,825.87
Long-term (over 50 years)	0.00	0.00
Mid-term (10-50 years)	82,609,157.87	84,638,825.87
Short-term (within 10 years)	0.00	0.00
Outside China	0.00	0.00
Long-term (over 50 years)	0.00	0.00
Mid-term (10-50 years)	0.00	0.00
Short-term (within 10 years)	0.00	0.00
Total	82,609,157.87	84,638,825.87

Note: The amortization expense for this year is RMB 2,029,668.00. (Last year: RMB 2,029,667.90)

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

14. Long-term Prepayments

Items	Beginning balance	Increase	Decrease	Other Decrease	Ending balance
Land development fee	9,367,320.00	0.00	0.00	0.00	9,367,320.00

15. Subsidiary Ledger for Capital Reduction Preparation Current year

Items	Beginning balance	Increase	Decrease		Ending balance
			Reverse	Other Decrease	
Bad debts reserves	95,939,778.04	3,323,842.54	0.00	2,642,990.10	96,620,630.48
Inventory impairment reserves	57,650,294.97	35,574,120.20	0.00	33,190,119.91	60,034,295.26
Long-term equity investment reduction reserves	0.00	0.00	0.00	0.00	0.00
Invested real estate impairment reserves	0.00	0.00	0.00	0.00	0.00
Fixed assets depreciation reserves	19,863,133.92	0.00	0.00	0.00	19,863,133.92
Project material impairment reserves	0.00	0.00	0.00	0.00	0.00
Construction-in-process impairment reverses	0.00	0.00	0.00	0.00	0.00
Intangible assets impairment reserves	0.00	0.00	0.00	0.00	0.00
Total	173,453,206.93	38,897,962.74	0.00	35,833,110.01	176,518,059.66

Last year

Items	Beginning balance	Increase	Decrease		Ending balance
			Reverse	Other Decrease	
Bad debts reserves	94,508,287.43	1,855,760.59	0.00	424,269.98	95,939,778.04
Inventory impairment reserves	76,998,946.77	8,183,554.10	0.00	27,532,205.90	57,650,294.97
Long-term equity investment reduction reserves	0.00	0.00	0.00	0.00	0.00
Invested real estate impairment reserves	0.00	0.00	0.00	0.00	0.00
Fixed assets depreciation reserves	19,863,133.92	0.00	0.00	0.00	19,863,133.92
Project material impairment reserves	0.00	0.00	0.00	0.00	0.00
Construction-in-process impairment reverses	0.00	0.00	0.00	0.00	0.00
Intangible assets impairment reserves	0.00	0.00	0.00	0.00	0.00
Total	191,370,368.12	10,039,314.69	0.00	27,956,475.88	173,453,206.93

16. Short-term Loans

Loan	Currency	31 Dec 2012			1 Jan 2012		
		Amount	Exchange rate	RMB Amount	Amount	Exchange rate	RMB Amount
Credit borrowing	RMB	300,000,000.00	-	300,000,000.00	210,000,000.00	-	210,000,000.00

Note: The year end credit borrowing is Beijing National Capital Mechanical And Electrical Holding Company Limited entrusted Beijing Bank Yin Yun Branch to loan the company RMB 300,000,000.00 for one year. The interest rate is not higher than bank lending rate over the same period. At the end of the year, the company obtained the commitment of Beijing National Capital Mechanical And Electrical Holding Company Limited and it states that in 2013, any financial difficulties of the company will receive necessary capital support, and in 2013, the company will not be required to meet the debts during financial difficulties.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (cont'd)

17. Accounts Payable

(1) Accounts Payable Detail

Items	31 Dec 2012	1 Jan 2012
Materials	<u>188,703,531.09</u>	<u>176,242,675.31</u>

(2) Accounts Payable

31 Dec 2012 Aging According to Invoice Date

Items	31 Dec 2012	1 Jan 2012
Less than a year	124,189,417.98	127,793,087.03
One to two years	36,451,095.38	20,410,397.62
Two to three years	9,407,898.72	21,672,882.60
More than three years	18,655,119.01	6,366,308.06
Total	<u>188,703,531.09</u>	<u>176,242,675.31</u>

Note: Large amount Accounts Payables over one year are primarily close balance remains and margins. The deferred payments are caused by cash strains. Because the company is a long-term and stable clients of suppliers with good market image, suppliers approves that the company scrolls to pay the balance.

- (3) At the end of the year, the company holds no Accounts Payable to shareholders who have more than five (including 5) over-the-right-to-vote shares.

18. Received in Advance

(1) Received in Advance

Items	31 Dec 2012	1 Jan 2012
Total	14,403,680.35	12,730,422.05
Including: more than one year	50,504.19	<u>2,202,305.74</u>

Note: Large amount Received in Advance over one year are transactions that the agreements are not complete or the products are not delivered.

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

(3) Received in Advance Foreign Currency Amount

Currency	31 Dec 2012			1 Jan 2012		
	Amount	Exchange Rate	RMB Amount	Amount	Exchange Rate	RMB Amount
USD	<u>139,699.62</u>	<u>6.2855</u>	<u>878,081.94</u>	<u>139,182.81</u>	<u>6.3009</u>	<u>878,867.26</u>

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

19. Employee Benefits Payable

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012
Salary (Including bonus and allowance)	2,844,058.60	75,303,533.82	73,344,058.60	4,803,533.82
Welfare	0.00	12,935,395.29	12,935,395.29	0.00
Social insurance	5,260,425.91	25,721,877.74	26,692,566.34	4,289,737.31
Including:				
Medical insurance	4,060,590.65	10,004,604.00	11,585,576.35	2,479,618.30
Basic endowment insurance	1,049,739.00	13,733,793.52	13,153,375.32	1,630,157.20
Unemployment insurance	52,825.09	686,344.98	669,394.57	69,775.50
Industrial injury insurance	52,536.93	716,671.23	707,992.37	61,215.79
Fertility insurance	44,734.24	580,464.01	576,227.73	48,970.52
Housing fund	0.00	7,228,198.00	7,228,198.00	0.00
Labour union expenditure and employee education expenditure	1,169,662.13	2,467,500.00	2,101,850.67	1,535,311.46
Other welfare	0.00	0.00	0.00	0.00
Estimated expense for employee retirement in advance	13,046,772.73	21,981,331.05	7,775,987.46	27,252,116.32
Others	0.00	3,484,546.26	3,484,546.26	0.00
Total	22,320,919.37	149,122,382.16	133,562,602.62	37,880,698.91

20. Tax Payable

Item	31 Dec 2012	1 Jan 2012
Value added tax	-1,967,997.59	-5,895,603.59
Business tax	274,990.88	1,547,763.26
Enterprise income tax	0.00	0.00
Individual tax	69,505.35	105,111.03
Urban maintenance and construction tax	-76,931.95	-265,774.28
Property tax	0.00	0.00
Land usage tax	0.00	0.00
Educational surcharge	-54,951.38	-113,903.26
Stamp tax	0.00	0.00
Total	-1,755,384.69	-4,622,406.84

Note: At the end of the year, Tax Payable to Hong Kong is RMB0.00.

21. Interest Payable

Item	31 Dec 2012	1 Jan 2012
Short-term loans interest payable	1,019,724.67	751,944.17

22. Other Payable

(1) Other Payable

Item	31 Dec 2012	1 Jan 2012
Total	68,726,711.62	58,521,768.96
Including: more than one year	45,527,329.84	42,628,850.61

(2) Other Payable Detail

Item	31 Dec 2012	1 Jan 2012
Social securities	196,282.42	1,341,207.83
Advance amount	53,025,705.53	43,031,154.35
House maintenance fund	2,862,117.17	2,818,484.17
Land rent payable	9,330,922.61	9,330,922.61
Promoting bureau fund	2,000,000.00	2,000,000.00
Bairen Corporation Group trademark fees	1,311,683.89	0.00
Total	68,726,711.62	58,521,768.96

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (cont'd)

22. Other Payable (cont'd)

(3) No Other Payable to shareholders who have more than five (including 5) over-the-right-to-vote shares.

(4) Other Payable to related parties

Name	31 Dec 2012	1 Jan 2012
Beiren Corporation Group	1,319,653.14	0.00
Beijing Jingcheng Nagano Construction Machinery Co. Ltd	718,198.00	0.00
Shanxi Beiren Printing Machinery Co. Ltd	21,917,321.02	21,916,821.02
Total	23,955,172.16	21,916,821.02

23. Other Short-term Liabilities

Items	31 Dec 2012	1 Jan 2012
Removing compensation	0.00	656,815.99
Other accrued expenses	1,050,000.00	1,050,000.00
Total	1,050,000.00	1,706,815.99

24. Specific Payable

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012	Notes
Medium newspaper printing machine core unit technology and half-way commercial product	4,751,414.58	175,605.39	0.00	4,927,019.97	Note 1
Folio single paper print machine series with multiple colours-new style 1050	5,230,314.97	187,315.45	0.00	5,417,630.42	Note 2
Digital single piece of paper split polychrome offset machine	5,091,683.83	380,620.38	0.00	5,472,304.21	Note 3
Digital single piece of paper split polychrome offset machine industry project	10,900,000.00	0.00	0.00	10,900,000.00	Note 4
Packaging industry high-tech research and development projects	0.00	1,150,000.00	0.00	1,150,000.00	Note 5
Total	25,973,413.38	1,893,541.22	0.00	27,866,954.60	

Note 1: The Company and Beijing National Capital Mechanical And Electrical Holding Company Limited, the ultimate controller, has signed "national capital holding strategy product and the technical research and development project funds support contract" on December 17, 2008. A financial support of RMB 5,000,000 has been given to this company to carry on the medium newspaper printing machine core unit technology and half-way commercial product project. The Company, will return the fund to the national capital holding on November 30, 2011 and November 30, 2012 with the amount of RMB 1,500,000.00 and RMB 3,500,000.00 respectively. In order to manifest the time value for the current market, the total amount of current value from different phases is used to recognized the book value of the Account payable for special item. Loan datum interest rate of 3 year time (5.4%) 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.

Note 2: The Company and Beijing National Capital Mechanical And Electrical Holding Company Limited, the ultimate controller, has signed "national capital holding strategy product and the technical research and development project funds support contract" on June 24, 2009. A financial support of RMB 5,500,000 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, will return the fund to the national capital holding on November 30, 2011 and November 30, 2012 with the amount of RMB 1,650,000.00 and RMB 3,850,000.00 respectively. In order to manifest the time value for the current market, the total amount of current value from different phases is used to recognized the book value of the Account payable for special item. Loan datum interest rate of 3 year time (5.4%) is used as discount rate. It has not been returned within the period. Interest expense calculated on actual interest rate basis is recognized as financial expense this year.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

24. Specific Payable *(cont'd)*

Note 3: The Company and Beijing National Capital Mechanical And Electrical Holding Company Limited, the ultimate controller, has signed "national capital holding strategy product and the technical research and development project funds support contract" on 21 December, 2011. A financial support of RMB 6,500,000.00 has been given to this company to carry on Digital single piece of paper split polychrome offset machine. The Company, will return the fund to the national capital holding on 1 December, 2014 and 1 December, 2015 with the amount of RMB 196,0,000.00 and RMB 4,550,000.00 respectively. In order to manifest the time value for the current market, the total amount of current value from different phases is used to recognized the book value of the Account payable for special Item Loan datum interest rate of 3 year time (6.65%) and 4 year time (6.9%) are used as discount rate. Interest expense calculated on actual interest rate basis is recognized as financial expense this year.

Note 4: According to Beijing eco-tech Open Economic Zone department of finance JKJ (2011) No.86, JCJE (2011) No. 362 and government investment plan, subsidy Digital single piece of paper split polychrome offset machine industry project for RMB 10,900,000.00.

Note 5: According to Beijing municipal bureau of finance [2012]1607 for the letter of Beijing Municipal of Finance 2012 about central subsidy of high-tech research and development budget in packaging industry, the company obtained RMB 1,150,000.00 for packaging industry high-tech development projects.

25. Estimated liabilities

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012
Employee benefits for dwelling	567,607.38	0.00	25,200.00	542,407.38

Note: 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.

26. Share capital

All the company shares are one RMB face value per share common stock

Current year

Unit: RMB'000

Shareholder's Name/Regimentation	1 Jan 2012		Issue new stock	Gifts share	Current changes accumulation funds to equity	Others	Subtotal	31 Dec 2012	
	Amount	Ratio(%)						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

Last year

Unit: RMB'000

Shareholder's Name/Regimentation	1 Jan 2012		Issue new stock	Gifts share	Current changes accumulation funds to equity	Others	Subtotal	31 Dec 2012	
	Amount	Ratio(%)						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)
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XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (cont'd)

27. Capital reserve Current year

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012
Capital premium	517,305,478.93	0.00	0.00	517,305,478.93
Other capital reverse	860,283.96	0.00	0.00	860,283.96
Total	518,165,762.89	0.00	0.00	518,165,762.89

Last 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	860,283.96	0.00	0.00	860,283.96
Total	518,165,762.89	0.00	0.00	518,165,762.89

28. Surplus reserve Current year

Item	1 Jan 2012	Increase	Decrease	31 Dec 2012
Statutory surplus reserve	38,071,282.24	0.00	0.00	38,071,282.24

Last year

Item	1 Jan 2011	Increase	Decrease	31 Dec 2011
Statutory surplus reserve	38,071,282.24	0.00	0.00	38,071,282.24

29. Undistributed profits Current year

Item	Amount	%
Undistributed Profits at The Last period End	-161,935,959.26	
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	-161,935,959.26	
Add: net profit attributable to parent company this period	-147,439,875.73	
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	-309,375,834.99	

NOTES TO THE FINANCIAL STATEMENT

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For the year ended 31 December 2012

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

29. Undistributed profits *(cont'd)*

Last year

Item	Amount	%
Undistributed Profits at The Last period End	-166,696,046.80	
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	-166,696,046.80	
Add: net profit attributable to parent company this period	4,760,087.54	
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	-161,935,959.26	

30. Net Current Assets

Item	31 Dec 2012	1 Jan 2012
Short-term assets	653,920,105.06	645,360,585.69
Less: Short-term liabilities	610,028,961.95	477,652,139.01
Net Short-term Assets	43,891,143.11	167,708,446.68

31. Total Assets less Current Liabilities

Item	31 Dec 2012	1 Jan 2012
Total Assets	1,307,299,534.07	1,320,494,245.64
Less: Short-term liabilities	610,028,961.95	477,652,139.01
Total assets less short-term liabilities	697,270,572.12	842,842,106.63

32. Lending and Borrowing

Item	31 Dec 2012	1 Jan 2012
Short-term bank loans	300,000,000.00	210,000,000.00
Long-term borrowings	0.00	0.00
Bonds payable	0.00	0.00
Long-term payable	0.00	0.00
Financing leases	0.00	0.00
Total	300,000,000.00	210,000,000.00

(1) Analysis:

Item	31 Dec 2012	1 Jan 2012
Bank loans	300,000,000.00	210,000,000.00
– Less than five years	300,000,000.00	210,000,000.00
– More than five years	0.00	0.00
Subtotal	0.00	0.00
Other borrowings and payables	0.00	0.00
Total	300,000,000.00	210,000,000.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
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XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (cont'd)

32 Lending and Borrowing (cont'd)

(2) Deadline analysis:

Item	31 Dec 2012	1 Jan 2012
Less than a year	300,000,000.00	210,000,000.00
One to two years	0.00	0.00
Two to five years	0.00	0.00
More than five years	0.00	0.00
Total	300,000,000.00	210,000,000.00

33. Operating income and operating costs

(1) Operating income and operating costs detail

Items	Jan-Dec 2012	Jan-Dec 2011
Main operating income	371,610,584.16	351,086,500.08
Other operating income	16,504,640.92	18,833,288.86
Total	388,115,225.08	369,919,788.94
Main operating costs	325,013,563.23	295,849,650.62
Other operating costs	6,629,186.08	4,328,941.84
Total	331,642,749.31	300,178,592.46

(2) Main operating income and costs

Item	31 Dec 2012	1 Jan 2012
Main operating income	371,610,584.16	351,086,500.08
Other operating income	325,013,563.23	295,849,650.62
Gross Margin	46,597,020.93	55,236,849.46

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

Item	Jan-Dec 2012		Jan-Dec 2011	
	Operating Income	Operating Costs	Operating Income	Operating Costs
Sales of hectograph machine	366,076,828.89	320,735,573.87	327,543,008.42	275,915,772.60
Sales of spares parts	4,813,030.15	3,338,516.56	10,779,556.91	9,312,174.88
others	720,725.12	939,472.80	12,763,934.75	10,621,703.14
Total	371,610,584.16	325,013,563.23	351,086,500.08	295,849,650.62

(4) Other operating income and costs

Item	Jan-Dec 2012		Jan-Dec 2011	
	Other Operating Income	Other Operating Costs	Other Operating Income	Other Operating Costs
Sale materials	586,859.16	589,209.13	390,048.26	172,500.56
Sale utilities	2,611,312.99	2,402,517.29	1,911,018.60	1,803,601.70
Rentals	12,916,272.52	2,933,456.00	16,042,745.13	2,352,839.58
Other	390,196.25	704,003.66	489,476.87	0.00
Total	16,504,640.92	6,629,186.08	18,833,288.86	4,328,941.84

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

33. Operating income and operating costs *(cont'd)*

- (5) The company's operating income from top five clients is RMB 83,888.90 (last year: RMB 87,967,521.37), and it consists 21.46% (last year: 25.06%) of the total operating income.

Name	Operating Income	Proportion of Total Main Operating income
Hunan Printing Material Co. Ltd.	28,023,931.63	7.22%
Taian Daily Newspaper	16,205,128.21	4.18%
Fujian Daily (Quanzhou) Printing Co. Ltd	15,025,641.03	3.87%
Shandong Printing Materials Company	13,682,051.28	3.53%
Yunnan Newspaper Media (Group) Limited Liability Company	10,352,136.75	2.66%
Total	83,288,888.90	21.46%

34. Business tax and extra charges

Items	2012	2011	Tax rate (%)
Business tax	937,841.55	2,860,469.24	Taxable Income*5%/3%
Urban maintenance and construction tax	1,236,190.23	750,821.04	Turnover Tax*5%/7%
Educational surcharge	685,729.95	321,780.44	Turnover Tax *3%
Real estate tax	67,083.89	67,083.89	Property of Original Value*70%*1.2%
Total	2,926,845.62	4,000,154.61	

35. Sales expenses

Item	Jan-Dec 2012	Jan-Dec 2011
Salary	11,804,131.35	9,515,950.08
Exhibition fee	2,858,451.87	1,472,233.94
Travelling fee	1,859,680.22	1,844,433.85
Staff going abroad fee	2,916.00	144,492.02
Entertainment expenses	1,731,739.29	779,938.49
Transportation and commissioning fee	3,404,920.37	3,481,795.70
Office and administrative fee	3,318,981.20	2,837,837.60
Commissions	1,757,180.41	1,653,337.76
Warranty maintenance cost	4,204,949.47	3,024,113.65
Others	20,017.00	64,294.10
Total	30,962,967.18	24,818,427.19

36. Administration expenses

Item	Jan-Dec 2012	Jan-Dec 2011
Salary	23,845,405.85	18,779,500.23
Depreciation	6,921,297.74	9,033,962.94
Office and administrative fee	3,155,196.93	2,212,447.96
Amortisation of intangible assets	1,661,164.08	2,376,267.71
Entertainment and meetings fee	2,181,823.54	1,913,971.22
Maintenance and repair fee	1,287,352.67	694,686.28
Energy fee	633,201.32	877,458.81
Tax fee	5,593,965.62	5,778,292.27
Agency fee	4,782,141.72	3,407,122.80
Research and development fee	10,042,028.46	6,883,695.43
Heating refrigeration fee	1,053,242.49	1,112,361.28
Trademark usage fee	3,519,440.35	3,372,149.51
Travelling fee	288,351.40	266,210.00
Allowance for retiring employees	6,304,050.31	6,293,854.65
Restructuring fee	26,195,013.49	0.00
Dismission welfare	21,981,331.05	0.00
Others	4,439,134.97	86,470.91
Total	123,884,141.99	63,088,452.00

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (cont'd)

37. Financial expenses

(1) The details of financial expenses

Item	Jan-Dec 2012	Jan-Dec 2011
Interest payment	7,722,252.77	4,908,149.17
less: Interest income	582,295.16	486,414.73
Add: exchange loss	90,533.95	-71,410.02
Add: other payment	152,070.41	-2,139,717.84
Total	7,382,561.97	2,210,606.58

(2) The details of interest payment

Item	Jan-Dec 2012	Jan-Dec 2011
Bank loan interest	6,978,711.55	4,545,228.33
Other loan interest paid within 5 years	743,541.22	362,920.84
Other loan interest paid over 5 years	0.00	0.00
debenture interest is accrued by effective interest rate	0.00	0.00
Financial lease expense	0.00	0.00
Subtotal	7,722,252.77	4,908,149.17
Less: interest capitalization	0.00	0.00
Total	7,722,252.77	4,908,149.17

Note: The capitalization of general loan interest is 0.00% this year.(Last year: 0.00%)

(3) The details of Interest income

Item	Jan-Dec 2012	Jan-Dec 2011
Bank deposit interest income	582,295.16	486,414.73
Receivable interest income	0.00	0.00
Interest income is accrued by effective interest rate	0.00	0.00
Financial lease interest income	0.00	0.00
Interest income of impaired financial assets	0.00	0.00
Total	582,295.16	486,414.73

38. Impairment loss of assets

Item	Jan-Dec 2012	Jan-Dec 2011
Bad debt loss	3,323,842.54	1,855,760.59
Impairment loss on inventory	35,574,120.20	8,183,554.10
Total	38,897,962.74	10,039,314.69

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

39. Investment income

(1) Resources of investment income

Item	Jan-Dec 2012	Jan-Dec 2011
Equity method of accounting for long-term equity investment income	-918,329.21	206,880.50

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 2012	Jan-Dec 2011	Reason of changes
Total	-918,329.21	206,880.50	
Including:			
Beijing Beiyong Casting Company Limited	-957,553.25	192,796.22	Reduce of profit
Beijing Monigraf Automations Co., Ltd.	39,224.04	14,084.28	Increase of profit

40. Non-operating income

(1) Non-operating Income

Item	Jan-Dec 2012	Jan-Dec 2011
Gains from non-current assets disposal	0.00	16,080,531.13
Among which: Gains from fixed assets	0.00	16,080,531.13
Government subsidy	0.00	0.00
Gain of debt restructure	0.00	96,281.69
Other	1,172,502.88	22,877,554.37
Total	1,172,502.88	39,054,367.19

Note: This year the incidental gain or loss is RMB 1,172,502.88. (Last year: RMB 39,054,367.19)

41. Non-operating expenses

Item	Jan-Dec 2012	Jan-Dec 2011
Loss from non-current asset disposal	66,467.30	0.00
Among which: Loss from fixed assets	66,467.30	0.00
Compensation loss	0.00	0.00
others	45,578.37	85,401.56
Total	112,045.67	85,401.56

Note: This year the incidental gain or loss is RMB 112,045.67. (Last year: RMB 85,401.56)

42. Audit fee

The total audit fee for this year is RMB 1,050,000.00. (Last year: RMB 730,000.00)

43. Depreciation and amortization

The total depreciation and amortization for this year is RMB 25,542,857.12. (Last year: RMB 28,641,427.16)

44. Operating rental expenses

The total operating rental expense for this year is RMB 766,468.48 (Last year: RMB 828,015.48). The industry device and equipment rental expense is RMB 0.00. (Last year: RMB 0.00)

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

XVI. NOTES OF MAIN ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (cont'd)

45. Rental income

The rental income from land and building is RMB 12,916,272.52, it excludes land rent, rate and other expenses. (Last year: RMB 16,042,745.13)

46. 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 2012	Jan-Dec 2011
Received from Beiren Group for shutdown loss subsidies	0.00	21,845,774.00
Received Financial project funding	1,750,000.00	10,900,000.00
Funding for Machinery and electronic holding project	0.00	6,500,000.00
Loan payment	0.00	5,766,596.99
Guarantee refunds	4,452,170.03	4,648,957.22
Receive social insurances from social insurance bureau	943,898.86	795,753.00
Interest income	582,295.16	486,414.73
Research issue fees	0.00	230,000.00
Others	2,076,351.98	2,222,065.07
Total	9,804,716.03	53,395,561.01

2) Other cash payment related to operation activity

Item	Jan-Dec 2012	Jan-Dec 2011
Entertainment fee	2,696,235.28	1,463,561.32
Trademark usage fee	2,254,788.82	4,619,469.07
Agency fee	3,869,846.99	3,049,262.75
Office and conference fee	9,565,841.57	10,338,887.44
Transportation, testing and 3 packets fee	7,402,113.69	8,993,865.54
Advertising and exhibition fee	2,424,649.28	1,846,529.98
Commission fee	2,735,782.01	1,968,812.00
Repair and transformation fee	3,769,191.03	0.00
Retirement fee	12,791,654.03	7,503,911.66
Restructuring fee	15,349,384.24	0.00
Others	10,828,752.38	8,132,416.80
Total	73,688,239.32	47,916,716.56

3) Other cash received from investment activities

Item	Jan-Dec 2012	Jan-Dec 2011
Consignment loan interest income	6,000,259.72	3,691,381.68

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

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

46. Cash flow *(cont'd)*

(2) Supplement information of consolidated cash flow statement

Item	2012	2011
1. Cash flow from operating activities		
Net profit	-147,439,875.73	4,760,087.54
Add: Provision on the impairment of assets	38,897,962.74	10,039,314.69
Depreciation of fixed asset	23,513,189.12	26,611,759.26
Amortization of intangible asset	2,029,668.00	2,029,667.90
Amortization of long-term prepaid expenses	0.00	0.00
Loss from disposal on fixed asset, intangible assets, and other long term asset ("-"if revenue)	66,467.30	-16,080,531.13
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)	7,722,252.77	4,908,149.17
Loss from investment ("-"if revenue)	918,329.21	-206,880.50
Decrease in deferred tax assets ("-"if increase)	0.00	0.00
Increase in deferred tax liability ("-"if decrease)	0.00	0.00
Decrease in inventory ("-"if increase)	19,678,183.87	-38,686,135.15
Decrease of account receivable ("-"if increase)	-19,569,938.18	62,747,508.06
Increase of account payable ("-"if decrease)	8,644,910.06	-63,177,833.43
Others	0.00	0.00
Net cash flow from operating activity	-65,538,850.84	-7,054,893.59
2. Cash flow from financing activity:		
Debts transferred into capital	0.00	0.00
Corporation debenture with maturity less than one year	0.00	0.00
Financing leased fixed asset	0.00	0.00
3. Changes in cash and cash equivalent:		
Closing balance of cash	150,192,182.81	133,470,663.08
Less: opening balance of cash	133,470,663.08	74,222,278.37
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	16,721,519.73	59,248,384.71

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

Item	2012	2011
Relevant information of disposed subsidiaries and other business units		
1. Price of disposed subsidiary and other business units	0.00	0.00
2. Disposal of subsidiaries and other business units received in cash and cash equivalents	0.00	0.00
Less: subsidiaries and other business units held cash and cash equivalents	0.00	0.00
3. Net cash receipts from disposal of subsidiaries and other business units	0.00	0.00
4. Disposal of subsidiaries' net asset	0.00	0.00
Current assets	0.00	0.00
Non-current assets	0.00	0.00
Current liabilities	0.00	0.00
Non-current liabilities	0.00	0.00

(4) Cash and cash equivalents

Item	31 Dec 2012	31 Dec 2011
Cash	8,198.90	8,733.74
Including: cash on hand	8,198.90	8,733.74
Bank deposit available to make payments	150,183,983.91	133,461,929.34
Cash equivalents	0.00	0.00
Cash and cash equivalents at the end of the year	150,192,182.81	133,470,663.08

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

XVII. Approval of financial statements

The Company's financial statements were issued with the approval of the Board of the directors of the Company on 27 February 2013.

Supplementary information for financial statements

1. Non-operating profit and loss statement

Item	2012	2011	Note
Profit and loss from Non current-assets	-111,794.87	14,958,555.12	VII.43&44
government subsidies in current profit and loss	5,065,300.56	2,615,267.06	VII.43
Debt restructuring gains and losses	0.00	96,281.69	VII.43
Other non-operating income and expenses	490,372.57	25,425,169.26	VII.43&44
Sub-total	5,443,878.26	43,095,273.13	
Income tax effect	0.00	0.00	
Minority Interests effect (after tax)	605,715.39	859,296.92	
Total	4,838,162.87	42,235,976.21	

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

Item	Net profit		Net assets	
	2012	2011	2012	2011
Under HK GAAP:	-172,146	13,630	602,547	774,743
1. Difference in valuation of net assets contributed to the Company by Beiren Group Corporation	0.00	0.00	0.00	0.00
2. Consequential adjustment on net assets contributed by Beiren Group Corporation	0.00	0.00	0.00	0.00
3. Difference in valuation of capital contribution to subsidiaries	0.00	0.00	0.00	0.00
4. Recognition of goodwill upon acquisition of a subsidiary	0.00	0.00	-3,135	-3,135
5. Amortization of goodwill upon acquisition of a subsidiary	0.00	0.00	3,135	3,135
6. Others	0.00	0.00	0.00	0.00
Under PRC Accounting Standards	-172,146	13,630	602,547	774,743

3. Returns on net assets and earnings per share

Profit for the reporting period	Weighted average(%)		Earnings per share			
	2012	2011	Basic EPS		Diluted EPS	
	2012	2011	2012	2011	2012	2011
Net profit for equity holders of the parent company	-25.05	1.52	-0.40	0.03	-0.40	0.03
Net profit for equity holders of the parent company after deducting incidental gain and loss	-25.77	-4.11	-0.41	-0.07	-0.41	-0.07

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

XVII. Approval of financial statements (cont'd)

Supplementary information for financial statements (cont'd)

4. Special situation and explanation for main financial statement items

Assets	Note	Ending balance	Beginning balance	Change	Change %
Account receivable	Note 1	192,265,245.43	163,969,806.39	28,295,439.04	17.26%
Prepaid payment	Note 2	15,824,817.72	30,187,908.20	-14,363,090.48	-47.58%
Inventory	Note 3	403,659,917.33	422,781,854.19	-19,121,936.86	-4.52%
Construction in progress	Note 4	8,068,949.59	3,179,294.90	4,889,654.69	153.80%

Note 1: Account receivable is increased RMB 28,300,000.00, it is mainly caused by macro-economy, financial constraint of clients and inability to collect the final payments.

Note 2: Prepaid payment is decreased RMB 14,360,000.00, it is mainly caused by fewer orders, reduce purchase, and reduce the usage of capital.

Note 3: Inventory is decreased RMB 19,120,000.00, it is mainly caused by the weak macro-economy situation, less demand, dull sale, and the company cut down the production plan and the usage of capital.

Note 4: Construction in progress is increased RMB 4,890,000.00, it is mainly caused by building factory of RMB 2,150,000.00 from subsidiary of Shanxi Beiren; the company starts sheet-fed industrialization project which is worth RMB 1,700,000.00; technical revolution engineer project which is worth RMB 1,040,000.00, all of the project that is mentioned above are not completed.

Liability and equity	Note	Ending balance	Beginning balance	Change	Change %
Short term loan	Note 1	313,029,820.99	220,000,000.00	93,029,820.99	42.29%
Advance receipts	Note 2	64,992,309.32	88,449,580.42	-23,457,271.10	-26.52%
Employee benefit payables	Note 3	54,343,369.05	39,091,724.51	15,251,644.54	39.02%
Tax payables	Note 4	-335,448.24	-4,129,380.97	3,793,932.73	-91.88%
Other payables	Note 5	58,778,663.10	41,361,493.75	17,417,169.35	42.11%

Note 1: Short term loan is increased RMB 93,030,000.00, it is mainly caused by consignment loan of RMB 90,000,000, the subsidiary Beiren Fuji increases guaranteed loan RMB 3,030,000.00.

Note 2: Advance receipts are decreased RMB 23,460,000.00, it is mainly caused by reducing incomplete project at year end.

Note 3: employee benefit payables are increased RMB 15,250,000.00; it is mainly caused by accruing early retirement expense RMB 28,510,000.00

Note 4: tax payables are decreased RMB 3,790,000.00, it is mainly caused by the reduced input tax remains at the year end.

Note 5: Other payables are increased RMB 26,200,000.00 due to the accrued restructure expense.

Profit and loss	Note	2012	2011	Change	Change %
Operating income	Note 1	748,254,409.40	803,873,926.57	-55,619,517.17	-6.92%
Operating cost	Note 1	616,796,577.32	640,174,781.71	-23,378,204.39	-3.65%
Sales expense	Note 2	69,666,650.83	59,983,930.02	9,682,720.81	16.14%
Administration expense	Note 3	173,349,544.40	109,017,465.08	64,332,079.32	59.01%
Financial expense	Note 4	14,152,324.29	7,937,550.30	6,214,773.99	78.30%
Impairment loss for assets	Note 5	43,618,774.98	10,384,923.92	33,233,851.06	320.02%
Non-operation income	Note 6	6,603,294.03	44,402,275.63	-37,798,981.60	-85.13%
Business tax	Note 7	2,711,017.52	30,000.22	2,681,017.30	8936.66%

Note 1: Operating income is decreased RMB 55,620,000.00, it is mainly caused by the depressive macro-economy environment, the decreased number of sales, cost is decreased as the same trend of income, but labour cost is increased, the overall profit margin is decreased.

Note 2: Sales expense is increased RMB 9,680,000.00, it is mainly caused by increasing labour cost and exhibitions for advertising products.

Note 3: Administration expense is increased RMB 64,330,000.00, it is mainly caused by restructuring expense RMB 26,200,000.00, accrued demission welfare RMB 21,980,000.00 and increased labour cost RMB 6,930,000.00.

NOTES TO THE FINANCIAL STATEMENT

(Prepared under PRC Accounting Standards)
For the year ended 31 December 2012

XVII. Approval of financial statements (cont'd)

Supplementary information for financial statements (cont'd)

4. Special situation and explanation for main financial statement items (cont'd)

Note 4: Financial expense is increased RMB 6,210,000.00, it is mainly caused by increased loan days and interest expense is increased RMB 3,670,000.00 by increased interest rate.

Note 5: Impairment loss for assets is increased RMB 33,230,000.00, it is mainly caused by increased provision for bad debts RMB 4,460,000.00 due to inability to collect final payment; the fixed cost unable to be amortized effectively due to insufficient work, so the cost of individual finished good is increased, the inventory cost is higher than net realizable value, the provision for inventory impairment is incurred by RMB 28,770,000.00.

Note 6: Non operating income is decreased RMB 37,800,000.00, because the Company receives compensation for demolition RMB 37,930,000.00 according to Jingfang Gaiban[2009]no.162 " The approval of reviewing Beiren Group Corporation collect funds for cooperative house-building" announced by Beijing People Government Housing System Reform Department and Jingfa Gai [2011] no. 831 " The approval of Beiren Group Corporation collects funds for cooperative house-building for employees" announced by Beijing Development and Revolution Committee. The amount involves gains from non current assets disposal RMB 16,080,000.00 and compensation for factory shutdown losses RMB 21,850,000.00

Note 7: Business tax is increased by the current loss from subsidiary Shanxi Beiren, it is probable not be able to get sufficient tax to deduct in future period, so the previous year deferred tax asset is reversed in current period.

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 2012	31 Dec 2011
Sales of hectograph machine	366,076,828.89	327,543,008.42
Sales of intaglio printing machine	304,755,989.02	363,587,203.39
Sales of form machinery	43,721,353.45	62,445,299.14
Sales of spares parts	16,230,623.59	22,937,152.71
Others	1,540,885.98	8,337,475.07
Sales revenue	732,325,680.93	784,850,138.73
Less: tax and other expenses	4,631,097.11	6,017,580.63
Total	727,694,583.82	778,832,558.10

2. Tax

Item	31 Dec 2012	31 Dec 2011
Business tax for the current year	0.00	0.00
Deferred tax	2,711,017.52	30,000.22
Total	2,711,017.52	30,000.22

3. Dividend

By the 2012 there is either no dividend paid nor suggested dividend. During the reporting period, no dividend is suggested by the board. (No dividend in 2011)

Beiren Printing Machinery Holdings Limited

February 27, 2013

The audited consolidated operating results and the audited balance sheet of the Company for each of the five years ended 31 December 2012 were summarized as follows:

(1) Operating Results (Prepared under PRC Accounting Standards)

	2012 RMB'0,000	2011 RMB'0,000	2010 RMB'0,000	2009 RMB'0,000	2008 RMB'0,000
Turnover	74,825.44	80,387.39	82,135.77	76,766.86	75,905.08
Total profit	-16,943.50	1,365.98	2,496.96	-17,998.99	-28,840.68
Taxation	271.10	3.00	549.91	-47.23	-557.84
Net profit attributable to shareholders of parent company	-16,835.80	1,138.29	2,227.94	-17,400.46	-26,314.16
Equity attributable to the shareholders of parent company	58,798.83	75,638.23	74,499.94	72,286.25	89,686.71
Minority equity	1,455.83	1,836.04	1,611.34	2,044.64	2,595.95

(2) Balance Sheet (Prepared under PRC Accounting Standards)

	2012 RMB'0,000	2011 RMB'0,000	2010 RMB'0,000	2009 RMB'0,000	2008 RMB'0,000
Assets					
Current assets	83,502.99	81,676.69	74,525.03	92,954.69	110,350.83
Non-current assets	64,000.89	66,867.50	71,211.03	80,823.56	85,600.98
Total assets	147,503.87	148,544.19	145,736.06	173,778.25	195,951.81
Liabilities					
Current liabilities	84,015.12	67,773.01	66,037.72	95,830.29	100,178.18
Non-current liabilities	3,234.09	3,296.91	3,587.06	3,617.07	3,490.97
Total liabilities	87,249.21	71,069.92	69,624.78	99,447.36	103,669.15
Shareholders' Equity					
Equity attributable to the shareholders of parent company	58,798.83	75,638.23	74,499.94	72,286.25	89,686.71
Minority equity	1,455.83	1,836.04	1,611.34	2,044.64	2,595.95
Shareholders' Equity	60,254.66	77,474.27	76,111.28	74,330.89	92,282.66



SECTION 14 DOCUMENTS AVAILABLE FOR INSPECTION

1. Original copy of the annual report, which has been signed by the Chairman.
2. Original copy of the auditors' report signed and chopped by the certified public accountant and under the seal of the accountant firm.
3. The original copies of all documents and announcements of the Company publicly disclosed during the reporting period in Shanghai Securities News and the websites of Shanghai Stock Exchange and The Stock Exchange of Hong Kong.
4. The Articles of Association of the Company.
5. The above documents are available for inspection at Secretary's Office of the Board of Directors of the Company, whose address is No.6 Rong Chang Kong Street, Beijing Economic and Technological Development Zone, Beijing, the PRC.

Chairman: Zhang Peiwu
Beiren Printing Machinery Holdings Limited
27 February 2013