

Chairman's statement



*Mr. ZHU WUAN, CHAIRMAN OF BEIREN PRINTING MACHINERY HOLDINGS
LIMITED*

(A) THE INDUSTRY IN WHICH THE COMPANY IS OPERATING AND THE COMPANY'S MAJOR OPERATIONS

The Company is in the industry of printing machinery manufacturing, with the leading position of the industry in China in terms of scale and profitability (source: Printing Machinery Industrial Association).

The Company is mainly engaged in the manufacturing and selling a variety of printing machines, related spare parts and packing machines and selling of pressing equipment, etc.

(B) REVIEW OF OPERATION OF THE COMPANY FOR 2000

1. The Company marked a milestone in its development history in 2000. Under the scientific and pragmatic leadership of the board of directors, the Company completed the acquisition of quality asset, web offset press series, from its parent company in accordance with a resolution passed at a general meeting. It laid a solid foundation for the growth of the Company and brought a leap in the management of the Company. Through this acquisition, the competitiveness of the Company will be strengthened. For the rapid growth of demand in newspaper market, the existing sheet-fed offset press series of the Company and the acquired web offset press series can be operated at the same time. It can reduce production costs in different sectors, including setting up of production, technology and management departments. Shortcomings of non-sharing of personnel, information, technology and sophisticated

testing equipment can be eliminated. It results in synergy and provides the opportunity of expansion in product mix in short term and makes a smooth production relationship among technology, production and sale, thus bringing benefits to market share and profit growth.

2. Income incentive policy was further adopted for information technology personnel. Their remuneration was determined with reference to their position, duties and performance. An annual salary system which is based on the level of remuneration for the industry was adopted for information technology leaders. The distance of income between information technology personnel and ordinary staff was reasonably made.
3. The Company disposed auxiliary assets and staff through reform and adjustment of institutions so as to make the products competitive in the market. The targets of fully utilization of assets and effective reduction of labour costs were met.

Subsidiaries which are below expectation and have negative growth will be reorganised after the completion of disposal. The rights and responsibilities of asset owners and operators were further clarified. Their value and assessment of economic responsibility will be strengthened. It will result in expected effectiveness of operations after the change in the future reorganisation.

4. The Company was presented Brand Product Award in Beijing for 2000 and was confirmed as a demonstration enterprise of CIMS applied engineering under the State high-tech research and development plan by the State Ministry of Science and Technology.

The implementation of MRP-II of the Company made great progress. It strengthened the control measures on central purchase. External parties were re-selected, confirmed and merged. Technology setting and equipment capacity was adjusted while fundamentals including financial cost, production and management effects were improved. It is expected that units including single and double colour subsidiaries will be officially replaced in the first quarter of 2001. It is a fruitful implementation of management procedure for modern enterprise system.

5. Innovative research and development system met the demand of market competition and product development plan was formulated in middle and long term and a systematic and standardised decision-making procedure for technology development was formed. All these benefited small-batch testing system of new products and made full use of large-scale production capacity of main machinery company. Highly

effective organisation, production and cost control can be realised.

(C) PROSPECTS FOR 2001

1. Through enlargement of share capital of the Company at the suitable time, the Company will consider enlargement of its capital, expansion of its scale and increase of its financing ability so as to provide a condition for quality industrial structure. Production and capital operations will both be focused in order to enhance its integrated capacity.
2. In view of increasing economic globalisation, advanced science and technology and China's prospective entry into World Trade Organisation ("WTO"), enterprises in China are forced to be fused with global development targets of international economy. Traditional industries are required to unite with new and high technology rapidly. The Company will make a diversified equity combination in new and high technology sector. Scientific and technological innovation, mechanism innovation and market expansion will be the pillars in order to expand export business and actively participate in international division of labour.
3. The Company will realise the "Tenth Five-Year" product development strategies according to the "Tenth Five-Year" Development Plan formulated by the Company. Different series and levels of sheet-fed and web offset press series printing machines will be formed gradually and competitive products will be made. These products will be developed in the directions of product series, standard specification, scale structure and function provision. Deviative products will be produced under a mature machine model. Better functions will meet demand of different levels in different industries.
4. In 2001, there will be heavy production in the Company. Production of bank notes printing machines will be completed at the end of 2001 as stated in contract. As there is a strong demand for high-end sheet-fed and web offset presses in the market, the Company's machine models including BEIREN 104, YP890 and YP4787 will be well received.
5. In order to strengthen the business management of regional sales and marketing, the Company will establish specialized companies in Beijing, Shanghai, Guangdong, Guangxi, Hubei, Zhejiang and Shaanxi respectively. The Company will provide sales, parts and components and services as a whole and enhance its active right in the market. The research analysis on industry policies, demand of users, market trend and competition strategies will be strengthened so as to provide fast and true

information for the Company. User satisfaction project will be implemented and sale of multi-colour machines and new products will be enhanced. Market mechanism and pricing strategies will be used in order to fully capitalise on the existing advantages of the Company.

6. The Company will expand in after-printing and downstream products. In response to the State's western China development plan, the Company will set up joint ventures in areas including Ningxia and benefit from preferential policies in such areas.
7. Division of labour in decision-making group, the management and the execution group will be realised so that they will be responsible for their own obligation. The Company values the professional technicians and management of confidential work. The personnel who know the core technology will be protected and treasured. Corresponding management measures will also be adopted so as to maintain a longer useful life of our leading technology. Stepping forward the specialized management system and the importance of operating ability of the management is recognised and a steady organisation structure is to be set up. An effective incentive mechanism will further solve the problems of procrastination and ineffective manpower restrictive mechanism. Working performance is in line with long term interests. Human resources work will be carried out based on the "Tenth Five-Year" plan and various reforms. The feasibility of implementation of incentive mechanisms including annual salary system and share option scheme will be sought.
8. Qualities of everyone and every part and component will further be in line with ISO9000 document. Total management of external parties, processing, assembly and service standard will be strengthened. The Company will make and perfect internal control standard and adopt flexible mechanisms including tender, research and development to solve the problem of quality. The Company's competitiveness will be enhanced by the establishment of corporate culture and mission. The staff's concept of competition will be nurtured on "market, product and quality". The norm of behaviour and working morale will be realised in their working performance and product quality.
9. To ensure research, development and renovation of new and old products, the Company will invest Rmb22,669,000 in technological renovation in 2001.

朱利安

ZHU WUAN

CHAIRMAN

22nd February, 2001