

CORPORATE GOVERNANCE AND GOVERNANCE REPORT

(I) CORPORATE GOVERNANCE

During the reporting period, the Company had been constantly improving its corporate governance structure and its internal control system in strict accordance with Company Law, Securities Law, Standards for Corporate Governance of Listed Companies, and the Listing Rules on Shanghai Stock Exchange and on Hong Kong Exchanges and Clearing Limited and other laws and regulations. The corporate governance structure of the Company complies with the regulations and requirements of the normative documents for listed companies.

During the reporting period, the Company has amended the regulations for internal control including the Articles of Association, Rules of Procedure for the General Meeting, Rules of Procedure for the Board of Directors, Rules of Procedure for the Supervisory Committee to further complete the internal control system and the decision-making mechanism of the Board of Directors.

While improving the corporate governance structure and enhancing the internal management, the Company focuses on the relations with investors and endeavors to serve the investors by proactive information disclosure and communication with them.

(II) DUTY PERFORMANCE OF INDEPENDENT DIRECTORS

1. Attendance of the independent directors at the meetings of the Board of Directors:

Name	Required attendance	Attendance in person	Attendance by proxy	Absence	Remarks
Wu Wenxiang	7	7	0	0	
Hu Kuangzuo	7	6	1	1	
Li Yijing	7	7	0	0	
Shi Tiantao	7	6	1	0	

2. Objections from independent directors to matters of the Company

During the reporting period, the independent directors had no objections to the resolutions of the meetings of the Board of Directors and resolutions of other meetings of the Company during the year.

(III) SEPARATION BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER WITH RESPECT TO BUSINESS, PERSONNEL, ASSETS, ORGANISATION AND FINANCE

- (1) Business: 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.
- (2) Personnel: 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 and the secretary to the Board of Directors receive their remunerations in the Company.
- (3) Assets: the Company has independent and complete systems for production, supply and sales, and the ancillary facilities.
- (4) Organisation: The Company has established a complete organisation structure. The Board of Directors, the Supervisory Committee and other internal organisations carried out their operations independently.
- (5) Finance: 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 separate bank accounts.

(IV) APPRAISAL AND MOTIVATION MECHANISM FOR SENIOR MANAGEMENT

During the reporting period, the Board of Directors signed annual key task undertakings with the senior management and certain division heads who were rewarded according to the completion of their undertakings and the comprehensive appraisal.



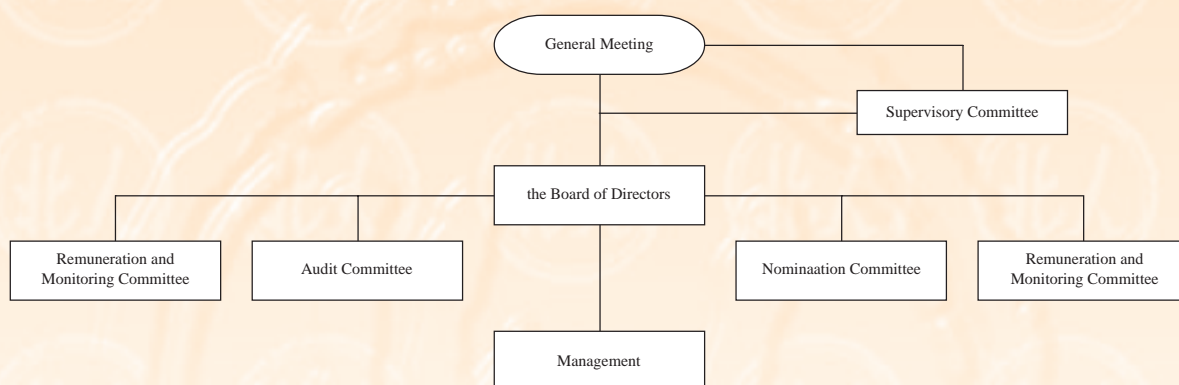
(V) CORPORATE GOVERNANCE REPORT

The directors of the Company think 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, Rules of Procedure for the Board of Directors, Rules of Procedure for the Supervisory Committee. 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 (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 4 executive directors, 3 non-executive directors, and 4 independent non-executive directors accounting for more than one third of the total members of the Board.

The directors in the Board of Directors are as follows:

Executive directors:

Wang Guohua, Chairman of the Board
 Zhu Wuan, Executive director
 Jiang Jianming, Executive director and chief accountant
 Yang Zhendong, Executive director and chief engineer

Non-executive directors:

Lu Changan, Vice Chairman of the Board
 Yu Baogui, Non-executive director
 Deng Gang, Non-executive director

Independent non-executive directors:

Wu Wenxiang, Independent non-executive director
 Hu Kuangzuo, Independent non-executive director
 Li Yijing, Independent non-executive director
 Shi Tiantao, Independent non-executive director

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 an accountant with years' experience in accounting, one is a professor and Doctors' Tutor in Tsinghua University with accomplishments in law, the other has the qualification of being Hong Kong lawyer and has extensive experience in law and corporate operation and management. 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.

(V) CORPORATE GOVERNANCE REPORT (Continued)

1. Directors and Composition of the Board of Directors (Continued)

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 set out by domestic and Hong Kong regulatory authorities.

The Company has adopted the requirements in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. For the purpose of this report, the Company has enquired all the directors and all of them were confirmed to have complied with the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers.

The Company has received the confirmation on independence submitted by the 4 independent non-executive directors pursuant to Rule 3.13 of the Listing Rules, and the Board of the Company thinks that the 4 independent non-executive are independent.

2. Meetings of the Board of Directors in 2006 and Attendance of Directors

The Board of Directors of the Company convened seven meetings during the reporting period.

Name	Required attendance (times)	Attendance in person (times)	Attendance by proxy (times)	Absence (times)	Attendance rate (%)
Executive directors					
Wang Guohua	7	7	—	—	100%
Zhu Wuan	7	7	—	—	100%
Jiang Jianming	7	7	—	—	100%
Yang Zhendong	7	7	—	—	100%
Non-executive directors					
Lu Changan	7	7	—	—	100%
Yu Baogui	7	7	—	—	100%
Deng Gang	7	7	—	—	100%
Independent non-executive directors					
Wu Wenxiang	7	7	—	—	100%
Hu Kuangzuo	7	6	—	1	86%
Li Yijing	7	7	—	—	100%
Shi Tiantao	7	6	1	—	86%

3. 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.

4. Executive Directors and Non-executive Directors

Like the other directors, the existing non-executive directors of the Company have the term of office of 3 years commencing from 14 July 2005 to 13 July 2008.

CORPORATE GOVERNANCE AND GOVERNANCE REPORT

(V) CORPORATE GOVERNANCE REPORT (Continued)

5. Performance of duties by independent non-executive directors

(1) Attendance of independent non-executive directors at the Board meetings

Name of independent director	Required attendance during the year	Attendance in person (times)	Attendance through proxies (times)	Absence (times)	Notes
Wu Wenxiang	7	7	—	—	—
Hu Kuangzuo	7	6	—	1	—
Li Yijing	7	7	—	—	—
Shi Tiantao	7	6	1	—	—

(2) Performance of duties by independent non-executive directors

Independent directors of the Company performed their duties in a prudent and responsible manner in accordance with relevant laws and regulations. They attended the Board meetings and the shareholders' general meetings with their professional and constructive opinions for significant decisions of the Company. They gave their special opinions regarding the Company's significant events. By doing such, the independent directors have played an active role for rational and objective decisions of the Board and regulate development of the Company, thus practically and effectively protecting the legal interests of the Company and its shareholders as a whole.

(3) Independent Non-executive Directors' Objection to the Relevant Matters of the Company

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

6. Power of the Board of Directors and senior management

(1) The Board of Directors exercised the power stipulated in laws and regulations and the Articles of Association as follows:

To convene shareholders' 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 shareholders' general meeting to re-appoint or change the Company's auditing and accounting firms;

To consider the management's report;

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



Beijing Top 100 Enterprises
2006.



Beiren flat paper and rolling paper Printer series for are renowned brand products in Beijing.



China Top 500
Machinery
Manufacturer 2006

CORPORATE GOVERNANCE AND GOVERNANCE REPORT

(V) CORPORATE GOVERNANCE REPORT (Continued)

6. Power of the Board of Directors and senior management (Continued)

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

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

Strategic Development Committee

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

The Strategic Development Committee comprises five directors. During the reporting period, the Strategic Development Committee convened one meeting. The directors, supervisors and senior management of the Company were invited to the meeting to discuss the Company's Budget Report of 2006.

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

Name	Description	Required attendance in 2006	Attendance
Wang Guohua (Chairman of the Board)	Chairman of the Committee	1	1
Lu Changan (Vice Chairman of the Board)		1	1
Zhu Wuan (Executive director)		1	1
Yang Zhendong (Executive director)		1	1
Wu Wenxiang (Independent non-executive director)		1	1

Audit Committee

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 comprises three directors. During the reporting period the Audit Committee convened four meetings. The Audit Committee had reviewed the annual report of 2005, the unaudited financial statements for the first and third quarters of 2006 (prepared under the PRC accounting standards) and the unaudited financial statements for the half year ended 30 June 2006, and recommended the Board to approve the same. In addition, it made independent assessment on the effectiveness of the internal control system of the Company, and monitored and examined the internal audit of the Company, and consistently provided the management with its professional opinion regarding improvement of the Company's internal control and corporate governance. Opinions or warnings of relevant risks were also made to the management in connection with the Company's significant events. In accordance with the amended governance requirements by the Stock Exchange, the Audited Committee has submitted to the Board, after each meeting, the reports on major events under discussion, and has reported to the Board with respect to its performance and progress of work at least every six months.

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

Name	Description	Required attendance in 2006	Attendance
Li Yijing (Independent non-executive director)	Chairman of the Committee	4	4
Shi Tiantao (Independent non-executive director)		4	4
Jiang Jianming (Executive director)		4	4



CORPORATE GOVERNANCE AND GOVERNANCE REPORT

(V) CORPORATE GOVERNANCE REPORT (Continued)

6. Power of the Board of Directors and senior management (Continued)

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

Remuneration and Monitoring Committee

The major duties of the Remuneration and Monitoring Committee are to study and consider the Company's remuneration policy and incentive mechanism, and to formulate the appraisal standard for directors and senior management of the Company and examine them.

The Remuneration and Review Committee comprises three directors. During the reporting period, the Remuneration and Monitoring Committee convened one meeting. The committee proposed a remuneration plan for the new Board and guided and supervised the review and improvement of the remuneration system of the Company.

Details of the Company's remuneration policies, remuneration of directors, appraisal of the senior management and the incentive mechanism are set out in Part IV of this annual report headed "Directors, Supervisors, Senior Management and Staff".

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

Name	Description	Required attendance in 2006	Attendance
Hu Kuangzuo (Independent non-executive director)	Chairman of the Committee	1	1
Li Yijing (Independent non-executive director)		1	1
Wang Guohua (Executive director)		1	1

Nomination Committee

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 one meeting.

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 proposal for changing Chairman of the Board and the General Manager and the task was completed successfully.

The members of the Nomination Committee and their attendance at the meeting:

Name	Description	Required attendance in 2006	Attendance
Hu Kuangzuo (Independent non-executive director)	Chairman of the Committee	1	1
Shi Tiantao (Independent non-executive director)		1	1
Deng Gang (Non-executive director)		1	1

(3) 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 basic rules for the Company.

(V) CORPORATE GOVERNANCE REPORT (Continued)

7. Auditors' remuneration

During the reporting period, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants and Deloitte Touche Tohmatsu Certified Public Accountants of Hong Kong as its domestic and overseas auditors respectively. They have reviewed the attached financial statements under the PRC accounting standards and the financial report prepared under the Hong Kong GAAP. The remuneration payable to Deloitte Touche Tohmatsu Certified Public Accountants and Deloitte Touche Tohmatsu Certified Public Accountants of Hong Kong is Rmb1,350,000 and HK\$800,000 respectively, of which annual audit fee amounts to Rmb1,350,000 and HK\$300,000, and interim audit fee amounts to Rmb HK\$500,000. The audit fee includes all the fees related to audit services including the fees for audit and review services and the traveling expenses incurred for audit and review in other places.

As at 31 December 2006, Deloitte Touche Tohmatsu Certified Public Accountants and Deloitte Touche Tohmatsu Certified Public Accountants of Hong Kong have provided audit services for the Company for 8 years and 10 years respectively.

A proposal will put forward on whether to re-appoint the two accounting firms as the Company's auditors for the year 2007 at the forthcoming annual general meeting.

8. Responsibility statement on financial statements by the Board of Directors

This statement is made for shareholders to differentiate the respective responsibilities of the directors and the auditors in connection with service reports, which should be read in conjunction with the Responsibility statement by auditors contained in the auditors' report set out in the financial statements

The Board is of the opinion that as the Company's resources are sufficient for its operation in future, the financial statements have been prepared based on the going concern, that in preparation of such financial statements, applicable accounting policies were adopted and carried through with reasonable and prudent judgment and valuation, and that the preparation of the statements is in compliance with all accounting standards the Board considers applicable.

The directors are responsible to ensure that the accounts record prepared by the Company reasonably and accurately reflects the Company's financial condition, and the financial statements are in compliance with relating accounting requirements in the PRC and Hong Kong.

9. Internal control and internal audit

The Board of Directors of the Company takes final responsibility for the internal control system and reviews the performance during the year through the Audit Committee. The directors of the Company have always attached much importance to the establishment and improvement of the internal control system, and the Audit Committee, the management and the external auditors endeavor to improve it. The Board of Directors understands its duty to ensure a sound, appropriate and effective internal control system to provide reasonable guarantee for achievement of the objectives of the Company.

During the reporting period, in respect of corporate governance, the Board of the Company, consisted of the directors with required knowledge, expertise and quality, operates the company in accordance with such laws as Company Law and Securities Law. The Company has been constantly improving the internal control system by setting out such rules and regulations as the Articles of Association, Rules of Procedure for the General Meeting, Rules of Procedure for the Board of Directors, Rules of Procedure for the Supervisory Committee, Regulations on Information Disclosure Management, Regulations on Relations with Investors, Provisional Regulations on Internal Audit, Detailed Rules for Work of the Secretary to the Board of Directors; and the Board of Directors has set up four special committees, and Each of them has formulated its own implementation rules, namely Detailed Implementation Rules for the Strategic Committee of the Board of Directors, Detailed Implementation Rules for the Nomination Committee of the Board of Directors, Detailed Implementation Rules for the Audit Committee of the Board of Directors, Detailed Implementation Rules for the Remuneration and Monitoring Committee of the Board of Directors.

With regard to business operations, through years of standardized operation, the Company has established a series of internal control regulations, which cover the entire production and operation process of financial management, design and development, production management, material procurement, product sales, personnel management, performance and remuneration and administration, to set up a standardized control and management system. During the reporting period, focusing on the strategy of the Eleventh Five Year Plan, the Company has organized its senior management to review the businesses of the Company based on the value chain of the Company, adjusted the organizational structure of the Company, and the duties of each functional department are clearly defined and restricted reciprocally. The capital management and control of each business link have been enhanced through comprehensive budget management. Through the overall rectification, the power authorization and representative system has been standardized, the control has been strengthened and risks have been avoided.

(V) CORPORATE GOVERNANCE REPORT *(Continued)*

9. Internal control and internal audit *(Continued)*

In respect of subsidiaries and branches control, the Company has formulated Regulations on Subsidiaries Management, Regulations on Financial Management in Subsidiaries and Associates, enhanced the product positioning of the subsidiaries and the management of R&D, marketing, financial supervision, quality supervision, personnel, information disclosure, operation supervision and operation appraisal. The Company has signed the Commitment Agreement with the principal chief and the financial chief of each subsidiary and branch to strictly control the outward investment, surety, loans, mortgage and entrusted money management.

During the reporting period, the Board of Directors of the Company reviewed the efficiency of the internal control system for the year ended 31 December 2006 through the audit committee and its subordinate audit team. The Board of Directors of the Company is of the view that during the year ended the reporting date, the Company has a completed internal control system regarding the corporate management, business operation, financial management and administration and personnel management, and has made definite regulations for the scope, contents and procedure of the internal supervision, which satisfies the requirements of corporate management and the needs of company development, and provides reasonable guarantee for preparation of true and fair financial statements.

The internal control system is established to manage the possible risks. With the changes in external environment and the development of business operations, the Company will further improve its internal control system and review the efficiency of its operation.

10. Statement from the Company: The shares of the Company held by public during the reporting period are sufficient.



A press conference was held in Intex Shanghai on 14 June 2006 to officially announce the inception of the Company.