(I) OPERATING OF THE COMPANY DURING THE REPORTING PERIOD

1. Scope and status of principal operations

(1) Scope of principal operations during the reporting period

development, design, production, sale of printing presses, pressing machines, packing machines, business forms printing presses, commercial revolving presses, commercial soft cover presses, intaglio presses, the parts and components for the aforesaid machines; technical consultancy, technical support; own export and export of member enterprises' self-produced products and technology; import of raw and auxiliary materials, instruments and meters, machines, parts and components and technology (apart from those products restricted by the State from operating by enterprises and those from being imported and exported) for production of own enterprises and member enterprises; processing on customer-supplied materials and "processing raw materials on clients' demands, assembling parts for clients and processing according to clients' samples or compensation trade".

2. Explanations on the operating of principal operations

In accordance with PRC accounting standard, the Company recorded principal operating income of Rmb961,584,200, representing an decrease of 3.4% as compared with the previous year. Net profit was Rmb-87,894,800, representing a decrease of 280.15% as compared with the previous year. Loss per share was Rmb0.21. In accordance with Hong Kong accounting standard, turnover amounted to Rmb966,076,700 representing an decrease of 2.28% from the previous year. Net profit amounted to Rmb-119,793,800, representing an decrease of 5.26% over last year. Loss per share was Rmb0.24.

(II) THE POSSIBLE CHANGE IN ACCOUNTING POLICIES, ESTIMATES BASIS AND ITS IMPACT ON FINANCIAL POSITION AND OPERATING RESULTS FOLLOWING THE IMPLEMENTATION OF NEW ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The analysis of difference under the prevailing accounting standards and the new accounting standards on the first adoption date of new accounting standards on 1 January 2007

Difference between the existing accounting standards and the new Accounting Standards for Business Enterprises as at the first time adoption date on 1 January 2007:

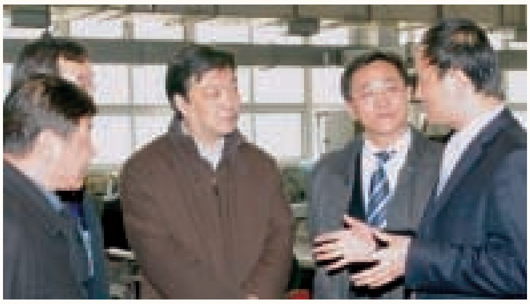
1. Compensation for dismissal qualified to be recognised as accrued liabilities

Under the existing accounting standards, compensation for dismissal is recognised as expense for current period upon actual payment. Under the new accounting standards, compensation for dismissal is recognised as accrued liabilities where an official dismissal plan is formulated to be implemented and cannot be revoked unilaterally, which are reduced against the actual payment. Under the new accounting standards, accrued liabilities of Rmb17,011,760.98 arising from compensation for dismissal are recognised, which reduced the retained profit as at 1 January 2007 by Rmb17,011,760.98.

2. Income tax

Under the existing accounting standards, enterprise income tax is accounted for using payable taxation method. Under the new accounting standards, enterprises income tax is accounted for using liabilities method through balance sheet, where deferred income tax assets and liabilities are also recognised. Under the new accounting standards, deferred income tax assets of Rmb2,776,288.28 are recognised, which increased the combined profit as at 1 January 2007 by Rmb2,776,288.28, of which, Rmb2,201,343,25 are attributable to the retained profit and Rmb574,945,03 to minority interest.

On 14 June 2006, visitors were watching at the Company's high-standard tower press 75A running smoothly at 75000 pieces per hour



On 13 March 2007, Beijing Deputy Mayor Ji Lin (3rd from right) visited the Company.

(II) THE POSSIBLE CHANGE IN ACCOUNTING POLICIES, ESTIMATES BASIS AND ITS IMPACT ON FINANCIAL POSITION AND OPERATING RESULTS FOLLOWING THE IMPLEMENTATION OF NEW ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES *(Continued)*

3. Minority interests

Under the existing accounting standards, minority interests are separately presented between liabilities and shareholders' equity in consolidated financial statements. Under the new accounting standards, minority interests are presented as an item of shareholders' equity. Accordingly, the consolidated shareholders' equity as at 1 January 2007 was increased by Rmb45,887,106.31.

Pursuant to the Provisional Requirement on Consolidated Financial Statements issued by the Ministry of Finance "Cai Kuai Zi (1995) No.11", a subsidiary in liquidation may be excluded from the scope of consolidation. Such treatment will be no longer applicable under the new accounting standards. Accordingly, the subsidiary Beijing Beiren Tai He Casting Factory which is in liquidation was included in the scope of consolidation in the reconciliation, resulting in an increase of Rmb3,187,940.72 in minority interests.

In addition, an amount of Rmb574,945,03 in the deferred income tax is attributable to minority interests under the new Accounting Standards, resulting in an increase of Rmb574,945,03 in minority interests.

Taking three treatments above into account, shareholders' equity in consolidated financial statements as at 1 January 2007 increased by Rmb49,075,047.03 due to the change in presentation of minority interests.

The above difference in shareholders' equity and its impact on financial position and business results are subject to adjustment due to further interpretation on new accounting standards by the Ministry of Finance.

Impact on financial position and business results of the Company for 2007 arising from adoption of new accounting standards for business enterprises is as follows:

1. In accordance with the new "Accounting Standards for Business Enterprises No. 2 - Long-term Investment", the Company's subsidiaries, which are accounted for using the equity method under the existing accounting standards, are accounted for using the cost method. This change will have an impact on the Company profit and loss account for the current period but will not affect the Company's consolidated financial statements.

2. In accordance with the new "Accounting Standards for Business Enterprises No. 3 - Property held for investment", property held for investment is measured using cost method.

3. In accordance with the new "Accounting Standards for Business Enterprises No. 6 - Intangible Assets", intangible assets with uncertain use lives are no longer be amortised instead of the previous practice of amortisation on straight-line basis.

4. Previously, all the research and development expenditures for internal R&D projects are charged into the profit and loss account for the current period. In accordance with the new "Accounting Standards for Business Enterprises No. 6 - Intangible Assets", research expenditures are charged into the profit and loss account for the current period as incurred, whereas development expenditures which meet certain conditions can be capitalised and recognised as intangible assets.

5. In accordance with the new "Accounting Standards for Business Enterprises No. 9 - Salary", no provision for welfare payable will be made, which is instead included in relevant costs and expenses respectively according to actual payment and the beneficiary of employee services. In accordance with the new "Accounting Standards for Business Enterprises No. 38 - First Time Adoption of Accounting Standards", the Company's balance of the original welfare payable in book will be transferred to the employee's, salary payable on the first adoption date. During the first accounting period commencing from the first adoption date, the Company will confirm the "Salary payable - employee welfare" based on the actual situation and the employee's, welfare plan. For the difference between the amount and the previously amount transferred to "Salary payable - employee welfare", the Company will adjust management expenses in accordance with the regulations. The change in the said policy is expected to affect the Company's profit onward.

6. In accordance with the new "Accounting Standards for Business Enterprises No. 8 - Provision for impairment of assets", provisions for impairment of long-term equity investment, fixed assets, intangible assets and so on will no longer be reversed during the future accounting periods.

7. In accordance with the new "Accounting Standards for Business Enterprises No. 8 - Government subsidy", government subsidy which are included into profit and loss account for the current period under the existing accounting standards will be classified as those related to assets which are included in deferred income to be credited in profit and loss account over relevant periods, and those related to income which are directly credited to profit and loss account for the current period.

A photo of the directors, supervisors and senior management of the Company.

(II) THE POSSIBLE CHANGE IN ACCOUNTING POLICIES, ESTIMATES BASIS AND ITS IMPACT ON FINANCIAL POSITION AND OPERATING RESULTS FOLLOWING THE IMPLEMENTATION OF NEW ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES *(Continued)*

8. Previously, only interests on special borrowings which are incurred for acquisition of fixed assets before they are brought into usable conditions can be capitalised. In accordance with the new "Accounting Standards for Business Enterprises No. 8 - Borrowing expenses", expenses on all special borrowings and general borrowings qualified for capitalisation can be capitalised.

9. In accordance with the new "Accounting Standards for Business Enterprises No. 18 - Income Tax", income tax which was previously accounted for using the tax payable method is accounted for using liabilities method through balance sheet. In case of difference between carrying amount of tax assets or liabilities and the reverent tax base, deferred income tax assets or deferred income tax liabilities are recognised under the new standards.

10. In accordance with the "Accounting Standards for Business Enterprises No. 33 - Consolidated financial statements", net profit or loss of subsidiaries for the current period attributable to minority interests are presented in "Profit or loss from minority interests" under net profit in consolidated income statement, and shareholders' equity of subsidiaries attributable to minority interests are presented in "Minority interests" under shareholders' equity in consolidated balance sheet.

(II) THE PRINCIPAL OPERATIONS AND ITS OPERATING STATUS

1. Principal operations by sectors or products

Unit: Rmb

Sector or product	Principal operating income	Principal operating costs	Gross profit margin *(%)*	Increase (+) / decrease (-) in principal operating income as compared with last year *(%)*	Increase (+) / decrease (-) in principal operating costs as compared with last year *(%)*	Increase / decrease in gross profit margin
Product						
Sheet-fed paper	436,315,316.09	386,254,798.45	10.90	1.10	15.77	decreased by 11.25 percentage points
Web-fed paper	231,121,771.13	148,796,008.46	35.05	-20.96	-20.14	decreased by 0.69 percentage points
Intrusion printers	180,386,847.07	137,736,120.06	23.07	-0.47	-4.36	increased by 3.07 percentage points
Form presses	75,280,137.06	58,555,716.46	22.22	52.85	50.96	increased by 1.52 percentage points
Spare parts	17,253,541.76	11,559,116.80	32.43	28.01	44.02	decreased by 7.48 percentage points
Printing services	19,203,453.70	13,765,346.30	27.75	-18.54	-16.46	decreased by 1.83 percentage points
Others	2,023,175.63	1,219,548.03	39.15	-47.23	-24.66	decreased by 18.10 percentage points
Total	961,584,242.44	757,886,654.56	20.66	-3.40	3.98	decreased by 5.57 percentage points

(II) THE PRINCIPAL OPERATIONS AND ITS OPERATING STATUS *(Continued)*

2. Principal operations by geographical location

Unit: Rmb

Region	Principal operating income	Increase (+) / decrease (-) as compared with last year in principal operating income *(%)*
Domestic	908,445,667.77	-4.35
Overseas	53,138,574.67	16.58
Total	961,584,242.44	-3.40

3. Operating and results of subsidiaries

Unit: Rmb

Company name	Nature of operation	Main products or services	Registered capital	Assets size	Net profit
Beijing Beiren Fuji Printing Machinery Limited	Manufacture of printing presses	Form presses	42,328,060.26	108,711,251.56	2,217,979.35
Haimen Beiren Printing Machinery Company Limited	Manufacture of printing presses	Quarto printing machine	51,000,000.00	54,758,387.29	-4,534,814.20
Hebei Beiren Gei Zhi Ji Chong	Manufacture of printing presses	Paper-feeding machine	5,000,000.00	17,081,427.50	-656,483.03
Beijing Beiren Jinyan Printing Machinery Factory	Parts for printing presses	Paper-feeding machine	21,050,000.00	22,301,905.66	-268,938.74
Beijing Beiren Yuxin Offset Printing Limited	Printing	Printing and packaging	22,430,000.00	61,682,549.98	-648,376.99
Hubei Beiren Printing Machinery Sales Limited	Sales of printing presses	—	1,500,000	7,705,437.09	-1,124,215.66
Beijing Beiren Hengtong Printing Machinery Sales Limited	Sales of printing presses	—	2,000,000.00	17,800,964.54	-518,171.09
Zhejiang Beiren Printing Machinery Sales Limited	Sales of printing presses	—	1,500,000.00	8,208,497.14	-417,962.95
Liaoning Beiren Printing Machinery Sales Limited	Sales of printing presses	—	700,000.00	20,853,428.15	-982,623.56
Beijing Monigraf Automatic Control System Limited	Parts for printing presses	—	7,500,000.00	25,828,357.01	1,090,126.17
Shaanxi Beiren Printing Machinery Limited	Manufacture of printing presses	Intaglio presses	115,000,000.00	279,293,091.41	-2,828,755.89
Beijing Beiying Casting Company Limited	Casting of printing presses	Casting	5,680,000.00	51,201,869.43	6,365,923.12
Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited	Manufacture of printing presses	Quarto four color	46,000,000.00	49,503,432.80	-7,633,347.09
Sheenlite Limited			3.51	11,527,934.40	3,336,768.20

4. Major suppliers and customers

Total procurement from the top five suppliers	1,027.01	Percentage in total procurement (%)	26.44%
Total sales from the top five customers	10,015.34	Percentage in total sales (%)	10.42%

(III) INVESTMENT

1. Use of proceeds

The initial raised proceeds of the Company had been used up as at 31 December 1998. The second raised proceeds had also been used up as at 31 March 2003. No utilisation of proceeds subsisted in this reporting period.

2. Projects financed by non-raised fund

During the reporting period, the Company and Mitsubishi Heavy Industries, Ltd. jointly established Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited. The registered capital of the joint venture amounted to RMB46,000,000, of which RMB22,540,000 was contributed by the Company, representing 49% of the company's registered capital, and RMB23,460,000 was contributed by Mitsubishi Heavy Industries, Ltd., representing 51% of the company's registered capital. Currently, the joint venture is under normal operation.

(VI) REASON AND INFLUENCE FOR CHANGES IN ACCOUNTING POLICIES OR ESTIMATION BASIS TO MATERIAL ACCOUNTING ERRORS

During the reporting period, the Company had no changes in accounting policies or estimation basis or correction to material accounting errors

(V) FINANCIAL STATUS AND OPERATIONAL RESULTS DURING THE REPORTING PERIOD

1. Operating results (prepared under PRC accounting standards)

(1) The Company incurred loss for the first time in 2006. Operating profit decreased by 329.4% from last year. Of which, principal operating profit decreased by 23.93% due to the decrease of 3.4% in principal operating income and the increase of 3.98% in the principal operating cost. Other operating profit decreased by10.75% from last year and period expense increased by 27.69% as compared with last year.

(2) Income from investment decreased by 143.45%, compared with last year mainly attributable to the consolidation of Tai He Casting Factory's liquidation pursuant to the shareholding proportion, forming the investment Income of the Company for 2005. On the other hand, some subsidiaries incurred loss affected by the market and selling price while the additional joint venture post operating loss for the first year in 2006.

(3) Net non-operating income decreased by 66.02% compared with last year mainly attributable to the compensation received for the moving of the Company's subsidiaries which result in the decrease of non-operating income compared with last year.

2. Analysis of the principal operating profit (prepared under PRC accounting standards)

The principal operating income decreased by 3.4% as compared with the corresponding period of last year, unchanged basically. The contribution from intrusion printers and web-fed paper offset press decreased by 0.47% and 20.96% respectively while the sheet-fed paper offset press and form-printing machines contributed 1.1% and 52.85% more as compared with last year respectively.

The principal operating profit from the sheet-fed paper offset press segment decreased by 11.25% as compared with last year while that of web-fed paper offset press decreased by 0.69 percentage points. The principal profit margin of form-printing machines segment increased 1.52 percentage points while the principal profit margin of intrusion printers increased by 3.07 percentage points as compared with last year respectively.

3. Period expense

Period expenses for the reporting period increased by 27.69% over last year. Marketing expenses increased by 18.95% over last year, mainly attributable to the increase in marketing expenses such as exhibition fees and visit of customers; Management expenses increased by 30.42% over last year, mainly due to the increase in account receivable, bad debts provision and inventory impairment provision. Finance costs increased by 34.4% over last year, resulting from the increase in loan and interest adjustment of bank loans.

4. Income from Investment

Investment profit decreased by 143.45% compared with last year mainly attributable to the consolidation of Tai He Casting Factory's liquidation income pursuant to the shareholding proportion, forming the invest income of the Company for 2005. On the other hand, some subsidiaries incurred loss affected by the market and selling price while the additional joint venture post operating loss for the first year in 2006.

5. Non-operating income and expenses

Non-operating income decreased by 75.86% compared with last year during the period, mainly attributable to the Rmb9,855,800 compensation received for the moving of the Company's subsidiaries in 2005 which resulted in the decrease of non-operating income compared with last year.

6. Analysis of assets, liabilities and equity interests

The total assets value was Rmb2,132,913,600 during the reporting period, increased by Rmb5,529,500 over last year, unchanged basically.

The total liabilities was Rmb921,715,900, increased by Rmb121,063,600 over last year, mainly attributable to the increase in short-term borrowing and account payable. The total equity interest was Rmb1,165,310,600, decreased by Rmb115,189,400 over last year, mainly attributable to the distribution of dividends in 2005 and loss incurred in 2006.

(V) FINANCIAL STATUS AND OPERATIONAL RESULTS DURING THE REPORTING PERIOD *(Continued)*

7. Financial position and analysis (prepared under PRC accounting standards)

Under its prudent financial policies, the Company established a strict risk control system for investment, financing and cash management to maintain a moderate capital structure. Leveraging on financial policies, the Company made timely adjustment to its financial strategy for financing, investment and capital structure in line with the external environment and its internal resources, so as to achieve a sustainable development of the Company and maximize its shareholders' value.

Liquidity and capital structure	2006	2005
Assets-liabilities ratio	**43.21%**	37.64%
Quick ratio	**0.55**	0.69
Liquidity ratio	**1.33**	1.59

8. Bank loans

The Company implemented its annual capital budget plan with due diligence and arranged bank factoring of accounts receivable and bills discounting business in accordance with the market conditions and requirement of customers to control the bank loan scale strictly. The Company utilized fully financial tools to reduce finance costs timely and defend against financial risks, by which the Company improved the profit of the Company and shareholders while satisfying the capital need of operating activities.

At the end of the reporting period, the Company had short term loan Rmb350,023,800(including bank factoring of accounts receivable) and had no long term loan.

9. Exchange Risk Management

The Company held a relatively small amount of deposits in foreign currencies. Daily expenses in foreign exchange mainly comprise dividends payable to holders of H Shares, fees payable to auditors, fees payable to The Stock Exchange of Hong Kong Limited and for publication of information disclosure. The change in foreign exchange rates will not have material impact on the results of the Company in the future.

(VI) PRINCIPAL SOURCE AND UTILIZATION OF FUND

1. Cash flows from operating activities

The Company's cash inflows are mainly derived from revenue of goods selling. Cash outflow was mainly related production and operating activities. , The Company's cash inflow from operating activities for the reporting period amounted to Rmb1,177,832,200 while the cash outflow amounted Rmb1,142,510,700 . Net cash flow during the reporting period from operating activities amounted to Rmb35,321,000.

2. Cash flows from investment activities

Net cash inflow from investment activities during the reporting period amounted to Rmb4,402,800, which was mainly attributable to the cash received from the disposal of fixed assets. Cash outflow to investment activities for the reporting period amounted to Rmb116,786,000, which was mainly used for investment in joint venture, paying the balance of construction in previous years and relocation expense of construction project by its subsidiaries. The above expenditures were financed mainly through internal resources. Net cash flow from investment activities for the reporting period amounted to Rmb-112,383,200.

3. Cash flows from fund-raising activities

Net cash inflow from fund-raising activities during the reporting period amounted to Rmb451,510,800, which was mainly derived from bank loans and bank factoring of accounts receivable. Net cash outflow from fund-raising activities during the reporting period was mainly for payment of bank loans and interests as well as the payment of dividends Net cash flow from fund-raising activities for the reporting period amounted to Rmb-52,425,000.

For the reporting period, cash and cash equivalents increased by Rmb-24,757,900, improved as compared with RMB-55,371,800 of last year.

(VII) CAPITAL STRUCTURE

The Company's capital structure consists of shareholders' interests and liabilities during the reporting period. Shareholders' interests amounted to Rmb1,165,310,600; liabilities amounted to Rmb921,715,900; and minority interests amounted to Rmb45,887,100. Total assets amounted to Rmb2,132,913,600. As at the end of the year, the Company's gearing ratio was 43.21%.

Capital structure by liquidity:

	Rmb'000	
Total current liabilities	92,147.29	Percentage in the capital
Total equity interest	116,571.06	Percentage in the capital

of which: minorities interest amounted to RMB45,887,100, accounting for 2.15% of the capital.

(VIII) CONTINUING LIABILITY

The Company did not have any material contingent liability during the reporting period.

(IX) ANALYSIS OF THE REASONS FOR MATERIAL CHANGES ON THE OVERALL FINANCIAL POSITIONS COMPARED WITH LAST YEAR (PREPARED UNDER PRC ACCOUNTING STANDARDS)

1. Cash and cash balances decreased by 17.9% compared with beginning of the year, mainly as a result of the increased proportion of the Company.
2. Bills receivable decreased by 55.87% compared with the beginning of the year, mainly due to the reduction of acceptance bills received after collection of receivables was acceulerated.
3. Accounts receivable increased by 0.15% H compared with the beginning of the year, unchanged basically.
4. Inventories decreased by 1.34% H compared with the beginning of the year, unchanged basically.
5. Deferred expenses increased by 118.45% compared with the beginning of the year, principally resulting from additional amortization items.
6. Long term equity investment increased by 87.58% compared with the beginning of the year, mainly resulting from the increased investment in Mitsubishi-Beren by the Company during the year.
7. Fixed assets at cost and net fixed assets increased 1.79% and 5.51% respectively compared with the beginning of the year, which should be regarded as normal fluctuations.
8. Short tem loans increased by 20.53% compared with the beginning of the year, mainly arising from increase in bank loans resulting from a growth in demand for working capital.
9. Accounts payable increased by 23.11% compared with the beginning of the year, mainly due to extension of payment term so as to relieve the pressure for capital.
10. Receipts in advance increased by 63.4% compared with the beginning of the year, principally resulting from increased receipts in advance for goods as a result of increase in orders from customers at the end of the period.
11. Wages payable decreased by 95.17% from the previous year, primarily due to the increase in the balance of wages payable of the Company during pervious years.
12. Staff welfare payable decreased by 54.34% compared with the beginning of the year, primarily due to the increase in the expenditure of welfare during the year.
13. Tax payable decreased by 40.13% compared with the beginning of the year, principally resulting from decreased outstanding amount of tax payable.
14. Other payables increased by 176.99% compared with the beginning of the year, mainly owing to the outstanding amount of payables.
15. Accruals decreased by 66.86% compared with the beginning of the year, principally resulting from decrease of accrual items.
16. Undistributed profit decreased by 83.94% compared with the beginning of the year, primarily due to the dividend payment and losses during the year.
17. Operating profit decreased by 329.4% from last year, of which: Principal operating profit decreased by 23.93% arising from the decrease of 3.4% in principal operating income and the increase of 3.98% in the principal operating costs. It is mainly attributable to the year-on-year decrease in part of products which led to lower consolidated gross margin; Other operating profit dropped 10.75% and period expense increased by 27.69% as compared with last year, mainly due to the increase in provision of impairment of assets.
18. Income from investment decreased by 143.45%, mainly attributable to the decreased profitability of the Company's external investment.
19. Net non-operating income decreased by 66.02% over last year, mainly attributable to the relocation compensation of the subsidiaries last year.