Deloitte.
德勤

TO THE SHAREHOLDERS OF BEIREN PRINTING MACHINERY HOLDINGS LIMITED
(A joint stock company with limited liability established in the People's Republic of China)

We have audited the consolidated financial statements of Beiren Printing Machinery Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 68, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 give a true and fair view of the state of affairs of the Group as at 31 December 2006 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
24 April 2007

CONSOLIDATED INCOME STATEMENT

(Prepared under Hong Kong Financial Reporting Standards)

For the year ended 31 December 2006

	NOTES	2006 RMB'000	2005 RMB'000
Revenue	6	**966,077**	994,192
Cost of sales		**(812,694)**	(736,606)
Gross profit		**153,383**	257,586
Other income	8	**12,650**	30,773
Distribution expenses		**(69,993)**	(61,036)
Administrative expenses		**(180,395)**	(141,526)
Finance costs	9	**(16,194)**	(13,006)
Share of results of associates		**(2,648)**	4,301
(Loss) profit before tax	10	**(103,197)**	77,092
Income tax expense	13	**(17,346)**	(15,507)
(Loss) profit for the year		**(120,543)**	61,585
Attributable to:			
Equity holders of the Company		**(119,794)**	57,553
Minority interests		**(749)**	4,032
		(120,543)	61,585
(Loss) earnings per share - basic	15	**RMB(28.4) cents**	RMB13.6cents

CONSOLIDATED BALANCE SHEET

(Prepared under Hong Kong Financial Reporting Standards)

At 31 December 2006

	NOTES	2006 RMB'000	2005 RMB'000
Non-current assets			
Property, plant and equipment	16	**656,267**	645,994
Investment properties	17	**70,497**	56,124
Prepaid lease payments - non-current portion	18	**131,391**	123,845
Goodwill	19	**3,135**	4,434
Other intangible assets	20	**1,413**	1,566
Interests in associates	21	**32,090**	12,274
Deferred tax assets	22	**4,562**	19,684
		899,355	863,921
Current assets			
Inventories	23	**710,196**	719,988
Trade and other receivables	24	**416,812**	439,323
Prepaid lease payments - current portion	18	**2,884**	2,338
Amounts due from minority shareholders of subsidiaries	25	**10,492**	10,034
Pledged bank deposits	26	**6,702**	8,776
Bank balances and cash	26	**76,160**	93,696
		1,223,246	1,274,155
Current liabilities			
Trade and bills payables	27	**358,354**	304,468
Other payables	28	**109,858**	100,143
Sales deposits received		**57,894**	36,811
Amount due to ultimate holding company	29	**14,996**	20,460
Tax liabilities		**2,971**	6,444
Borrowings - due within one year	30	**383,574**	322,953
		927,647	791,279
Net current assets		**295,599**	482,876
Total Assets Less Current Liabilities		**1,194,954**	1,346,797
Capital and reserves			
Share capital	32	**422,000**	422,000
Reserves		**720,674**	869,768
Equity attributable to equity holders of the Company		**1,142,674**	1,291,768
Minority interests		**50,280**	51,029
Total Equity		**1,192,954**	1,342,797
Non-current liabilities			
Borrowings - due after one year	30	**—**	4,000
Deferred income	31	**2,000**	—
		2,000	4,000
		1,194,954	1,346,797

The consolidated financial statements on pages 44 to 68 were approved and authorised for issue by the Board of Directors on 24 April 2007 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Prepared under Hong Kong Financial Reporting Standards)

For The Year Ended 31 December 2006

	Attributable to equity holders of the Company												
	Share capital	Share premium (Note 32(a))	Exchange translation reserve	Capital reserve	Statutory surplus reserve (Note 32(b))	Statutory public welfare fund (Note 32(c))	General reserve fund (Note 32(e))	Enterprise expansion fund (Note 32(e))	Discretionary surplus reserve (Note 32(d))	Retained profits	Minority Total	interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2005	422,000	435,834	—	51,155	73,014	67,352	1,717	3,845	42,979	170,079	1,267,975	45,698	1,313,673
Minority shareholders' share in net assets of a subsidiary resulted from the Group's additional capital contributions in the subsidiary	—	—	—	—	—	—	—	—	—	—	—	1,299	1,299
Net income recognised directly in equity	—	—	—	—	—	—	—	—	—	—	—	1,299	1,299
Profit for the year	—	—	—	—	—	—	—	—	—	57,553	57,553	4,032	61,585
Total recognised income for the year	—	—	—	—	—	—	—	—	—	57,553	57,553	5,331	62,884
Appropriations	—	—	—	—	5,033	5,033	—	—	—	(10,066)	—	—	—
Dividend paid	—	—	—	—	—	—	—	—	—	(33,760)	(33,760)	—	(33,760)
At 31 December 2005	422,000	435,834	—	51,155	78,047	72,385	1,717	3,845	42,979	183,806	1,291,768	51,029	1,342,797
Share of capital reserve of an associate	—	—	—	151	—	—	—	—	—	—	151	—	151
Exchange difference arising on translation of foreign operations	—	—	89	—	—	—	—	—	—	—	89	—	89
Net income recognised directly in equity	—	—	89	151	—	—	—	—	—	—	240	—	240
Loss for the year	—	—	—	—	—	—	—	—	—	(119,794)	(119,794)	(749)	(120,543)
Total recognised income for the year	—	—	89	151	—	—	—	—	—	(119,794)	(119,554)	(749)	(120,303)
Dividend paid	—	—	—	—	—	—	—	—	—	(29,540)	(29,540)	—	(29,540)
Transfer (note)	—	—	—	—	72,385	(72,385)	—	—	—	—	—	—	—
At 31 December 2006	422,000	435,834	89	51,306	150,432	—	1,717	3,845	42,979	34,472	1,142,674	50,280	1,192,954

Note: The Ministry of Finance (MOF) issued a notice which requires the balance of statutory public welfare fund as of December 2005 to be managed and utilized as surplus reserve from 1 January 2006 onwards. Accordingly, the statutory public welfare fund was transferred to statutory surplus reserve.

CONSOLIDATED CASH FLOW STATEMENT

(Prepared under Hong Kong Financial Reporting Standards)

For The Year Ended 31 December 2006

	2006	2005
	RMB'000	*RMB'000*
Operating Activities		
(Loss) profit before taxation	**(103,197)**	77,092
Adjustments for:		
Depreciation of property, plant and equipment and investment properties	**46,509**	47,955
Allowance for bad and doubtful debts	**21,700**	13,137
Finance costs	**16,194**	13,006
Allowance for obsolete inventories	**45,091**	6,695
Amortisation of prepaid lease payments	**2,700**	2,154
Amortisation of intangible assets	**1,130**	1,038
Loss (profit) on disposal of property, plant and equipment	**1,050**	(2,696)
Share of results of associates	**2,648**	(4,301)
Interest income	**(1,037)**	(1,221)
Impairment losses reversed in respect of property, plant and equipment	**(3,500)**	—
Impairment loss of goodwill	**1,299**	—
Operating cash flows before movements in working capital	**30,587**	152,859
Increase in trade and bills payables	**55,359**	27,678
Increase (decrease) in other payables	**502**	(24,916)
Increase in sales deposits received	**21,083**	2,540
Increase in inventories	**(35,299)**	(102,456)
Increase in trade and other receivables	**(47,429)**	(97,816)
Increase in deferred income	**2,000**	—
Cash generated (used in) from operations	**26,803**	(42,111)
Income tax paid	**(5,697)**	(15,859)
Net Cash generated from (used in) operating activities	**21,106**	(57,970)
Investing Activities		
Proceeds on disposal of property, plant and equipment	**21,726**	3,442
Interest received	**1,037**	1,221
Dividend received from associates	**—**	454
(Increase)decrease in pledged bank deposits	**2,074**	(8,776)
Prepaid lease payment in relation to land use rights	**(1,579)**	(16,413)
Purchase of property, plant and equipment	**(91,454)**	(51,186)
Purchases of intangible assets	**(977)**	—
Investment in associate	**(22,540)**	—
(Increase) decrease in amount due from minority shareholders of subsidiaries	**(458)**	61
Increase in amount due to ultimate holding company	**(5,464)**	(4,305)
Net cash used in investing activities	**(97,635)**	(75,502)
Financing activities		
New borrowings raised	**451,511**	360,143
Repayments of borrowings	**(346,650)**	(243,162)
Dividends paid	**(29,540)**	(33,760)
Interest paid	**(16,194)**	(13,006)
Net cash generated from financing activities	**59,127**	70,215
Net decrease in cash and cash equivalents	**(17,402)**	(63,257)
Cash and cash equivalents at beginning of the year	**93,696**	157,078
Effect of foreign exchange rate changes	**(134)**	(125)
Cash and Cash Equivalents at End of the Year, Represented by Bank Balances and Cash	**76,160**	93,696

1. GENERAL

Beiren Printing Machinery Holdings Limited (the "Company") was established in Beijing, the People's Republic of China (the "PRC") on 13 July 1993 as a joint stock limited company in accordance with the provisions set out in the Standard Opinion on Joint Stock Limited Companies issued as of 15 May 1992 by the State Commission for Restructuring the Economic System of the PRC. The Company is registered as an overseas company in Hong Kong under Part XI of the Hong Kong Companies Ordinance. The H Shares and A Shares of the Company are listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC respectively.

The consolidated financial statements are prepared in Renminbi (RMB), which is the same as the functional currency of the Company.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the manufacture and sale of a variety of printing press and related spare parts and provision of printing services.

The ultimate holding company of the Company is Beiren Group Corporation ("BGC"), a state-owned enterprise established in the PRC.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC)-Int 8	Scope of HKFRS 2[4]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC)-Int 11	HKFRS - Group and Treasury Share Transactions[7]
HK(IFRIC)-Int 12	Service concession arrangements[8]

[1] Effective for annual periods beginning on or after 1 January 2007

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 March 2006

[4] Effective for annual periods beginning on or after 1 May 2006

[5] Effective for annual periods beginning on or after 1 June 2006

[6] Effective for annual periods beginning on or after 1 November 2006

[7] Effective for annual periods beginning on or after 1 March 2007

[8] Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interests in subsidiaries is recorded at the Group's book value of the net assets attributable to the interests. The excess of the cost of acquisition over the carrying amounts of net assets attributable to the interests is recoginsed as goodwill.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions prior to 1 January 2005, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit before the end of that financial year. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Compensation income for relocation is recognised as other income after netting off with the related expenses and losses incurred upon the relocation is completed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than assets under construction over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is dereognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives using the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. RMB) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets.

Retirement benefit costs

Payments to state-managed retirement benefits schemes are charged as expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets

The Group's financial assets comprised loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including trade and other receivables, amounts due from minority shareholders of subsidiaries, restricted cash and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognize.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including borrowings, trade and bills payables, other payables and amounts due to ultimate holding company are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration is recognised in profit or loss.

Impairment losses (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets in the next financial year are discussed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note 19.

Recognition of deferred tax assets

As at 31 December 2006, deferred tax assets of RMB4,562,000 has been recognised in the Group's balance sheet. The realisability of the deferred tax assets mainly depends on whether the actual future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place. Also, as at 31 December 2006, the Group has unrecognised deferred tax assets in respect of unused tax losses and deductible temporary differences of RMB22,448,000 and RMB191,080,000 respectively. In cases where the actual future profits generated are more than expected, deferred tax assets may arise, which would be recognised in the income statement for the period in which such condition exists.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade and other receivables, trade and bills payables and other payables and bank balance and cash. The fair value of the Group's these financial instruments at 31 December 2006 approximates to the corresponding carrying amount. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The bank balance and restricted cash has deposited in the high credit rate bank, thus the credit risk on bank balance and restricted cash is limited.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Interest rate risk

The Group's fair value interest rate risk relates to its fixed rate borrowings (see note 30). Because the term of borrowing is within one year, the exposure of interest risk for fair value is limited.

Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

6. REVENUE

Revenue represents the net amount received and receivable for printing presses and spare parts sold by the Group to outside customers, and provision of printing services. The Group's revenue analysed by principal activity is as follows:

	2006 ***RMB'000***	2005 *RMB'000*
Sales of printing presses	**932,672**	929,414
Sales of spare parts	**19,277**	46,604
Provision of printing services	**19,203**	23,599
Total sales	**971,152**	999,617
Less: Sales tax and other surcharges	**(5,075)**	(5,425)
	966,077	994,192

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's revenue and results are substantially derived from the manufacture and sale of printing presses in PRC. Moreover, as substantially all of the Group's assets and liabilities are located in PRC, no segment analysis of financial information is presented.

8. OTHER INCOME

Other income is analysed as follows:

	2006 **RMB'000**	2005 RMB'000
Interest income on bank deposits	**1,037**	1,221
Rental income	**6,294**	8,426
Technical service income	**126**	889
Compensation for relocation received	**624**	15,547
Others	**4,569**	4,690
	12,650	30,773

9. FINANCE COSTS

	2006 **RMB'000**	2005 RMB'000
Interest on bank borrowings wholly repayable within five years	**16,194**	13,006

10. (LOSS) PROFIT BEFORE TAX

	2006 **RMB'000**	2005 RMB'000
(Loss) profit before tax has been arrived at after charging (crediting):		
Depreciation and amortisation		
Property, plant and equipment and investment properties	**46,509**	47,955
Intangible assets (included in administrative expenses)	**1,130**	1,038
Total depreciation and amortisation	**47,639**	48,993
Amortization of income tax expenses for associates	**558**	783
Staff costs including directors' emoluments	**199,708**	172,702
Allowance for bad and doubtful debts	**21,700**	13,137
Allowance for obsolete inventories	**45,091**	6,695
Research and development expenses	**9,571**	8,108
Auditors' remuneration	**2,212**	1,839
Impairment loss of goodwill (included in administrative expenses)	**1,299**	—
Loss (profit) on disposal of property, plant and equipment	**1,050**	(2,696)
Net foreign exchange losses	**783**	379
Gross rental income from investment properties	**(6,294)**	(8,426)
Reversal of impairment of property, plant and equipment	**(3,500)**	—
Cost of inventories recognised as an expense	**767,603**	729,911
Amortisation of prepaid lease payments	**2,700**	2,154

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

	2006 **RMB'000**	2005 RMB'000
Directors and supervisors		
Fee	**748**	608
Salaries and other benefits	**666**	808
Retirement benefits scheme contributions	**36**	30
	1,450	1,446

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

The emoluments of directors and supervisors during the year are analysed as follows:

	2006			
	Fee *RMB'000*	**Salaries and other benefits** *RMB'000*	**Retirement benefits scheme contributions** *RMB'000*	**Total** *RMB'000*
Executive directors:				
Wang Guo-Hua	110	145	6	261
Zhu Wu-An	170	80	3	253
Jiang Jian-Ming	80	167	8	255
Yang Zhen-Dong	80	167	8	255
Yu Bao-Gui	40	—	—	40
Deng Gang	40	—	—	40
Lu Chang-An	—	—	—	—
Independent non-executive directors:				
Li Yi-Jing	30	—	—	30
Shi Tian-Tao	30	—	—	30
Wu Wen-Xiang	30	—	—	30
Hu Kuang-Zuo	50	—	—	50
Supervisors:				
Xiao Mao-Lin	40	—	—	40
Xue Ke-Xin	40	67	7	114
Tian Fu-Ren	8	40	4	52
	748	666	36	1,450

	2005			
	Fee *RMB'000*	**Salaries and other benefits** *RMB'000*	**Retirement benefits scheme contributions** *RMB'000*	**Total** *RMB'000*
Executive directors:				
Zhu Wu-An	—	—	—	—
Lu Chang-An	—	—	—	—
Wang Guo-Hua	110	270	7	387
Deng Gang	—	—	—	—
Jiang Jian-Ming	70	228	7	305
Yang Zhen-Dong	79	208	7	294
Yu Bao-Gui	80	—	—	80
Independent non-executive directors:				
Li Yi-Jing	30	—	—	30
Shi Tian-Tao	30	—	—	30
Wu Wen-Xiang	30	—	—	30
Hu Kuang-Zuo	50	—	—	50
Supervisors:				
Xiao Mao-Lin	80	—	—	80
Xue Ke-Xin	31	83	5	119
Tian Fu-Ren	18	19	4	41
	608	808	30	1,446

No emoluments were paid by the Group to the directors and supervisors as a discretionary bonus or as inducement to join or upon joining the Group or as a compensation for loss of office for the year.

No director or supervisor waived any emoluments during the year.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2005: three) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining one (2005: two) individuals were as follows:

	2006 **RMB'000**	2005 *RMB'000*
Salaries and other benefits	**176**	706
Contributions to retirement plan	**8**	13
	184	719

13. INCOME TAX EXPENSE

	2006 **RMB'000**	2005 *RMB'000*
The charge comprises:		
PRC income tax for current year	**2,224**	15,445
Deferred tax charge *(Note 22)*	**15,122**	62
	17,346	15,507

The PRC income tax of the Company and one of its subsidiaries, Shanxi Beiren Printing Machinery Company Limited, is calculated at the rate of 15% of the estimated assessable profit for the year. In accordance with the relevant rules and regulations in PRC, all other PRC subsidiaries are subject to PRC income tax levied at a rate of 33%, except for Beijing Beiren Fuji Printing Machinery Company Limited which is taxed at 12%.

(a) According to document (Caishuizi [1997] 38) issued by the State Administration of Taxation on 10 March 1997, the applicable income tax rate of the Company is 15%.

(b) According to document (Guoshuifa [2002] 47) issued by the State Administration of Taxation on 10 May 2002, the applicable income tax of the Company's subsidiary, Shanxi Beiren Printing Machinery Company Limited is 15%.

(c) According to document (Jingguoshuiwaipifu [2002] 1-11) issued by the foreign tax bureau of Beijing State Administration of Taxation, the applicable income tax rate of the Company's subsidiary, Beijing Beiren Fuji Printing Machinery Company Limited is 24% from 2001. Also according to document (Guoshuizhishuijianmianzi [2006] 2) issued by the tax bureau directly under Beijing State Administration of Taxation, Beijing Beiren Fuji Printing Machinery Company Limited is levied at half of the income tax from 2006 to 2008. Consequently the income tax of Beijing Beiren Fuji Printing Machinery Company Limited is charged at the rate of 12% of the estimated assessable profit for the year.

The tax charge for the year can be reconciled to the (loss) profit per the consolidated income statement as follows:

	2006 **RMB'000**	2005 *RMB'000*
(Loss) profit before tax	**(103,197)**	77,092
Tax at the domestic income tax rate of 15%	**(15,480)**	11,564
Tax effect of expenses not deductible for tax purpose	**1,450**	2,542
Tax effect of tax losses/deductible temporary differences not recognised	**14,322**	839
Tax effect of share of results of associates	**397**	(645)
Tax effect of reversal of deferred tax assets	**17,253**	—
Utilisation of tax losses previously not recognised	**—**	(372)
Effect of different tax rates of subsidiaries	**(596)**	1,579
Tax charge for the year	**17,346**	15,507

14. DIVIDEND

	2006 RMB'000	2005 RMB'000
Dividends recognised as distributions during the year: RMB7.00 cents (2005: RMB8.00 cents) per share paid	**29,540**	33,760

No dividend has been proposed by the directors for the year.

15. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share attributable to the equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of RMB119,794,000 (2005: profit of RMB57,553,000) and on the number of 422,000,000 shares (2005: 422,000,000 shares) in issue during the year.

No diluted earnings per share is presented as the Company did not have any potential ordinary shares outstanding for the two years ended 31 December 2006.

16. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment						
	Buildings in PRC RMB'000	Leasehold property in Hong Kong RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2005	446,168	16,515	454,508	60,974	16,877	40,198	1,035,240
Additions	470	—	3,472	1,275	877	40,111	46,205
Transfer	21,799	—	14,697	206	—	(41,123)	(4,421)
Disposals	(4,743)	—	(40,331)	(2,913)	(1,913)	—	(49,900)
At 31 December 2005	463,694	16,515	432,346	59,542	15,841	39,186	1,027,124
Exchange adjustments	—	(572)	—	—	—	—	(572)
Additions	19	—	1,147	896	1,970	87,422	91,454
Transfer	31,473	—	17,159	19,691	—	(84,452)	(16,129)
Disposals	(52,931)	—	(37,883)	(410)	(1,549)	—	(92,773)
At 31 December 2006	442,255	15,943	412,769	79,719	16,262	42,156	1,009,104
DEPRECIATION AND IMPAIRMENT							
At 1 January 2005	67,961	9,373	233,302	46,883	8,087	1,166	366,772
Charge for the year	12,755	629	26,375	5,742	1,765	—	47,266
Eliminated on disposals	(3,644)	—	(25,365)	(2,329)	(1,570)	—	(32,908)
At 31 December 2005	77,072	10,002	234,312	50,296	8,282	1,166	381,130
Exchange adjustments	—	(123)	—	—	—	—	(123)
Charge for the year	12,873	309	22,291	7,199	2,339	—	45,011
Transfer	(258)	—	—	—	—	—	(258)
Impairment loss reversed	—	(3,500)	—	—	—	—	(3,500)
Eliminated on disposals	(34,546)	—	(33,288)	(403)	(1,186)	—	(69,423)
At 31 December 2006	55,141	6,688	223,315	57,092	9,435	1,166	352,837
CARRYING VALUES							
At 31 December 2006	387,114	9,255	189,454	22,627	6,827	40,990	656,267
At 31 December 2005	386,622	6,513	198,034	9,246	7,559	38,020	645,994

The leasehold property in Hong Kong comprises of leasehold land and building elements, which cannot be allocated between leasehold land and buildings elements reliably. The lease of leasehold land in Hong Kong is medium term lease. The Group has reversed impairment loss of RMB3,500,000 in respect of the leasehold property in Hong Kong during the year so to reflect its fair value at the balance sheet date.

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line method at the following rates per annum:

Buildings	2.425%
Leasehold property in Hong Kong	Over the shorter of the term of the leases or 50 years
Plant and machinery	6.929%-12.125%
Furniture, fixtures and equipment	12.125%
Motor vehicles	12.125%

At 31 December 2006, the Group has pledged buildings in PRC and plant and machinery with carrying value of approximately RMB10,239,000 (2005: RMB10,501,000) and RMB12,304,000 (2005: RMB14,768,000) respectively to secure general banking facilities granted to the Group.

17. INVESTMENT PROPERTIES

	2006	2005
	RMB'000	*RMB'000*
COST		
At beginning of the year	**57,356**	52,935
Transfer from property, plant and equipment *(Note 16)*	**16,129**	4,421
At end of the year	**73,485**	57,356
DEPRECIATION		
At beginning of the year	**1,232**	543
Provided for the year	**1,498**	689
Transfer from property, plant and equipment *(Note 16)*	**258**	—
At end of the year	**2,988**	1,232
CARRYING VALUES		
At end of the year	**70,497**	56,124

The investment properties are depreciated on a straight-line method over tha period of the shorter of the term of the leases or 40 years per annum.

Since the comparable market transactions are infrequent and the alternative reliable estimates of fair value are net availables the directors of the Group consider that the fair value of the investment property is not reliably determinable on a continuing basis.

The Group rents out its investment properties in the PRC of RMB70,497,000 (2005: RMB56,124,000) under operating lease during the year.

18. PREPAID LEASE PAYMENTS

The Group's land use rights in relation to the prepaid lease payments are under medium-term leases in PRC, and analysed for reporting purposes as:

	2006	2005
	RMB'000	*RMB'000*
Current assets	**2,884**	2,338
Non-current assets	**131,391**	123,845
	134,275	126,183

The Group has pledged the land use rights of which the carrying value of the related prepaid lease payments of approximately RMB22,171,000 (2005: RMB21,053,000) to secure general banking facilities granted to the Group.

19. GOODWILL

	RMB'000
COST	
At 1 January 2005	3,135
Arising on additional capital contribution in a subsidiary	1,299
At 31 December 2005 and 31 December 2006	4,434
IMPAIRMENT	
At 1 January 2005 and 31 December 2005	—
Impairment loss recognised	1,299
At 31 December 2006	1,299
CARRYING AMOUNT	
At 31 December 2006	3,135
At 31 December 2005	4,434

Goodwill has been allocated to two subsidiaries of the manufacture and sales of printing presses segment. Shanxi Beiren Printing Machinery Company Limited and Haimen Beiren Printing Machinery Company Limited being the cash generating unit for impairment testing of goodwill. During the financial year, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with Haimen Beiren Printing Machinery Company Limited was fully impaired.

The recoverable amount is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rate and growth rate. The Group prepared cash flow forecasts derived from the 2-year financial budgets and extrapolates cash flows for the following 10 years based on an estimated growth rate of 4% (2005: 5%) and a discount rate of 6% (2005: 5%). The growth rate used does not exceed the average long-term growth rate for the relevant markets. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of goodwill to exceed its recoverable amount.

20. OTHER INTANGIBLE ASSETS

	Technical knowhow *RMB'000*
COST	
At 1 January 2005 and 31 December 2005	7,522
Addition	977
At 31 December 2006	8,499
ACCUMULATED AMORTISATION	
At 1 January 2005	4,918
Amortised for the year	1,038
At 31 December 2005	5,956
Amortised for the year	1,130
At 31 December 2006	7,086
NET BOOK VALUES	
At 31 December 2006	1,413
At 31 December 2005	1,566

The intangible assets acquired are amortised over the estimated useful lives of the respective technical knowhow, ranged from 5 to 8 years, on a straight line basis.

21. INVESTMENTS IN ASSOCIATES

	2006 *RMB'000*	2005 *RMB'000*
Cost of investments, unlisted investments	**28,594**	6,054
Share of post-acquisition profits, net of dividends received	**3,345**	6,220
Share of capital reserve	**151**	—
	32,090	12,274

At 31 December 2006, the Group had interests in the following associates:

Name of associate	Form of business structure	Place of establishment and operation	Percentage of registered capital held by the Group	Principal activity
Beijing Beiren Hengtong Printing Machinery Sales Limited ("Beijing Beiren Hengtong")	Limited liability company	PRC	45%	Sale of printing presses and accessories for printing presses
Liaoning Beiren Printing Machinery Sales Limited ("Liaoning Beiren")	Limited liability company	PRC	49%	Sale of printing presses and accessories for printing presses
Beijing Monigraf Automations Co. Ltd. ("Beijing Monigraf")	Sino-foreign equity joint	PRC	49%	Sale of automations of printing presses venture enterprise
Beijing Beiying Casting Company Limited ("Beijing Beiying")	Limited liability company	PRC	20%	Manufacture and sale of spare parts and casting parts
Beijing Mitsubishi Heavy Industries Berien Printing Machinery Co., Ltd. ("Mitsubishi Beiren")	Sino-foreign equity joint	PRC	49%	Manufacture and sale of printing presses venture enterprise

The summarised financial information in respect of the Group's associates is set out below:

	2006 *RMB'000*	2005 *RMB'000*
Total assets	**165,188**	122,343
Total liabilities	**(88,246)**	(90,031)
Net assets	**76,942**	32,312
Group's share of net assets of associates	**32,090**	12,274
Revenue	**163,160**	224,415
(Loss) profit for the year	**(1,678)**	12,978
Group's share of result of associates for the year	**(2,648)**	4,301

Mitsubishi Beiren was established in Beijing by Mitsubishi Heavy Industries Ltd. and the Company on 25 May 2006. Mitsubishi Beiren principally engages in manufacture and sale of printing presses. The registered capital of Mitsubishi Beiren is RMB46,000,000. The Company contributed RMB22,540,000, representing 49% of the registered capital.

22. DEFERRED TAX ASSETS

The followings are the major deferred tax (assets) liabilities recognised by the Group, and the movements thereon during the current and prior years:

	Allowance for bad debts and doubtful *RMB'000*	Allowance for obsolete inventory *RMB'000*	Option payment received *RMB'000*	Impairment losses in respect of plant and equipment *RMB'000*	Fair value adjustment of property, plant and equipment *RMB'000*	Tax losses *RMB'000*	Other temporary differences *RMB'000*	Total *RMB'000*
At 1 January 2005	(7,321)	(6,569)	(3,631)	(4,139)	2,188	(394)	120	(19,746)
(Credit) charge to income for the year	(3,447)	(988)	3,631	1,200	(728)	394	—	62
At 31 December 2005	(10,768)	(7,557)	—	(2,939)	1,460	—	120	(19,684)
(Credit) charge to income for the year	8,265	5,378	—	2,939	(1,460)	—	—	15,122
At 31 December 2006	(2,503)	(2,179)	—	—	—	—	120	(4,562)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset and a deferred tax asset of RMB4,562,000 (2005: RMB19,684,000) is presented in the consolidated balance sheet.

At the balance sheet date, the Group has unused tax losses of approximately RMB22,448,000 (2005: RMB11,161,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. All unrecognised tax losses will expire before 2011 and an analysis of their expiry dates are as follows:

	2006 ***RMB'000***	2005 *RMB'000*
Unrecognised tax losses expiring in:		
2006	**—**	5,274
2007	**480**	480
2008	**2,591**	2,591
2009	**794**	794
2010	**2,022**	2,022
2011	**16,561**	—
	22,448	11,161

At the balance sheet date, the Group has deductible temporary differences of RMB210,767,000 (2005: RMB130,464,000). A deferred tax asset has been recognised in respect of RMB19,687,000 (2005: RMB125,620,000) of such deductible temporary differences. No deferred tax asset has been recognised in relation to remaining RMB191,080,000 (2005: RMB4,844,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

23. INVENTORIES

	2006 ***RMB'000***	2005 *RMB'000*
Raw materials	**86,954**	71,103
Work in progress	**362,133**	411,237
Finished goods	**261,109**	237,648
	710,196	719,988

24. TRADE AND OTHER RECEIVABLES

	2006 ***RMB'000***	2005 *RMB'000*
Trade receivables	**369,858**	376,890
Bills receivables	**11,884**	26,932
	381,742	403,822
Prepayments and deposits	**11,748**	15,513
Other receivables	**23,322**	19,988
	416,812	439,323

24. TRADE AND OTHER RECEIVABLES *(Continued)*

At 31 December 2006, the allowance for bad and doubtful trade receivables and other receivables is amounted to RMB71,966,000 (2005: RMB52,697,000).

Included in trade receivables, amount of RMB50,884,000 (2005:RMB22,753,000) was factored to banks with recourse as at 31 December 2006.

Included in bills receivables, amount of RMB3,990,000 (2005: Nil) was discounted to banks with recourse to secure short-term bank loans as at 31 December 2006.

The customers are normally required to pay in advance as deposit. The Group allows an average credit period of 90 to 360 days to its trade customers with the retention payment paid one year after sale. The following is an aged analysis of trade receivables at the balance sheet date:

	2006	2005
	RMB'000	*RMB'000*
The aged analysis of trade receivables and bills receivables is as follows:		
Within 1 year	**304,614**	359,913
1 - 2 years	**68,478**	33,628
2 - 3 years	**7,131**	9,069
Over 3 years	**1,519**	1,212
	381,742	403,822

25. AMOUNTS DUE FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

Amounts due from minority shareholders of subsidiaries are unsecured, interest free and receivable on demand.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES

Pledged bank deposits represents short-term deposits pledged for bills payables. The terms of the pledged bank deposits are all within six months. And all of the pledged bank deposits carries fixed rate interest ranged from 1.8% to 2.25% per year.

Bank balances carry interest at market rate which is 2.52%.

27. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables at the balance sheet date:

	2006	2005
	RMB'000	*RMB'000*
Within 1 year	**327,541**	295,684
1 - 2 years	**27,549**	3,811
2 - 3 years	**470**	2,812
Over 3 years	**2,794**	2,161
	358,354	304,468

28. OTHER PAYABLES

	2006	2005
	RMB'000	*RMB'000*
Staff welfare accruals	**11,874**	25,538
Other payables	**87,064**	59,190
Other taxes and levies payable	**10,920**	15,415
	109,858	100,143

29. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY

Amounts due to ultimate holding company are unsecured, interest free and payable on demand.

30. BORROWINGS

	2006	2005
	RMB'000	*RMB'000*
The borrowings comprise:		
Bank loans	**354,024**	297,403
Other loans	**29,550**	29,550
	383,574	326,953
Secured	**97,024**	41,950
Unsecured	**286,550**	285,003
	383,574	326,953
The borrowings will be repayable:		
On demand or within one year	**383,574**	322,953
More than one year, but not exceeding two years	**—**	4,000
	383,574	326,953
Less: Amount due within one year and shown under current liabilities	**(383,574)**	(322,953)
	—	4,000

Other loans at 31 December 2006 of RMB29,550,000 (2005: RMB29,550,000) represent non-interest bearing loan payable to Beijing Offset Point Factory, a minority shareholder of a subsidiary. The amount is repayable on demand.

Secured bank loans totalling RMB97,024,000 (2005: RMB41,950,000) which are secured by the Group's properties, plant and equipment and land use rights and trade and bills receivables.

In addition, included in the unsecured borrowings are bank loans totalling RMB25,000,000 (2005: RMB34,000,000) which are guaranteed by BGC, the Company's ultimate holding company; bank loan of RMB27,000,000 (2005: RMB18,000,000) which is guaranteed by a third party at the balance sheet date.

All of the above borrowings bear fixed rate interest ranged from 5.022% to 8.363% per annum.

31. DEFERRED INCOME

In 2006, the Group received the government grants of RMB2,000,000 related to the acquisition of plant and equipment, which were recognised as deferred income and will be released to income over the useful lives of the assets. At the balance sheet date, the relevant assets were transferred from the construction in progress to the plant and machinery.

32. SHARE CAPITAL

	RMB'000
Registered, issued and fully paid, at 1 January 2005, 31 December 2005 and 2006	
322,000,000 A shares of RMB1 each	322,000
100,000,000 H shares of RMB1 each	100,000
	422,000

There was no change in share capital in both years.

33. RESERVES

(a) Share premium represents the excess of proceeds received on issue of shares over the par value of registered share capital net of share issuing expenses.

(b) According to relevant laws and regulations of the PRC, a company incorporated as a domestic enterprise is required to make an appropriation at the rate of 10 per cent of the profit after taxation of the company, prepared in accordance with PRC accounting standards, to the statutory surplus reserve account until the accumulated balance has reached 50 per cent of the registered capital of the company.

(c) According to the PRC relevant laws and regulations, a company incorporated as a domestic enterprise is required to make an appropriation at the rate of 5 to 10 per cent of the profit after taxation of the company, prepared in accordance with PRC accounting standards, to the statutory public welfare fund account ("PWF"). The PWF will be utilised on capital expenditures for employees' collective welfare, and unutilised PWF must be kept in cash. The Ministry of Finance issued a notice which requires the balance of statutory public welfare fund as of December 2005 to be managed and utilized as surplus reserve from 1 January 2006 onwards. Accordingly, the unutilised PWF was transferred to statutory surplus reserve in 2006.

(d) In accordance with a subsidiary's Articles of Association, the subsidiary incorporated as a domestic enterprise may appropriate funds to the discretionary surplus reserve after it discharges its obligations on the statutory reserves.

(e) General reserve fund and enterprise expansion fund were set aside by a subsidiary incorporated as a foreign invested enterprise in the PRC in accordance with PRC relevant laws and regulations.

34. MAJOR NON-CASH TRANSACTION

In 2006, according to the term in the factoring agreements, certain trade receivables which were factored to banks with recourse of RMB48,240,000 (2005: RMB30,065,000) were settled by the debtors with the banks directly.

35. RELATED PARTY DISCLOSURES

(i) Related part transactions

Apart from the balances with related parties disclosed in the consolidated balance sheet and notes 29 and 30, the Group also entered into the following transactions with its related parties:

	2006 **RMB'000**	2005 RMB'000
Sales of printing presses to		
— Beijing Yan Long Import and Export Co., Ltd. ("Beijing Yan Long") (a subsidiary of BGC)	**1,164**	974
— Beijing Beiren Hengtong (an associate)	**18,385**	29,788
— Liaoning Beiren (an associate)	**4,778**	25,567
— BGC (ultimate holding company)	**11,821**	15,644
Sales of materials to		
— Mitsubishi Beiren (an associate)	**421**	—
Purchase of printing presses from		
— BGC (ultimate holding company)	**11,663**	12,640
— Mitsubishi Beiren (an associate)	**8,605**	—
Purchase of materials from		
— Beijing Yan Long (a subsidiary of BGC)	**—**	12
— BGC (ultimate holding company)	**4,940**	3,324
— Beijing Beiying (an associate)	**32,085**	35,982
— Beiren Monigraf (an associate)	**14,223**	24,749
Trademark fee paid to		
— BGC (ultimate holding company)	**6,441**	6,804
Payment of rental fee to		
— BGC (ultimate holding company)	**850**	850
Rental income received from		
— Beiren Monigraf (an associate)	**100**	100
— Beijing Beiying (an associate)	**4,152**	4,031
— Mitsubishi Beiren (an associate)	**830**	—
Sales of property, plant and equipment to		
— Beijing Beiying (an associate)	**—**	8,466
Sales commission paid to		
— Beijing Beiren Hengtong (an associate)	**597**	—
— Liaoning Beiren (an associate)	**524**	—

35. RELATED PARTY DISCLOSURES *(Continued)*

(i) Related party transaction *(Continued)*

At 31 December 2006, BGC provided corporate guarantee to a bank for the short term bank loans of RMB25,000,000 (2005: RMB34,000,000) granted to the Company.

(ii) Balance with related party at the balance sheet date

	2006	2005
	RMB'000	*RMB'000*
Amounts due from associates	**29,905**	37,344
Amounts due to associates	**20,755**	3,242
Amounts due to ultimate holding company	**4,667**	—

Above balance with related party are all trading nature, which are including in trade and other receivables and trade and bills payables at the balance sheet date.

(iii) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is a part of BGC, which is controlled by the PRC government. Apart from the transactions with BGC and its subsidiaries disclosed in section (i) above, the Group also conducts businesses with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

Material transactions/balances with other state-controlled entities are as follow:

	2006	2005
	RMB'000	*RMB'000*
Trade sales	**125,050**	91,456
Trade purchases	**18,129**	20,661
Amounts due to other state-controlled entities	**10,317**	13,125
Amounts due from other state-controlled entities	**61,707**	37,763

In addition, the Group has entered into various transactions, including utilities services and surcharges/taxes charged by the PRC government, and deposits and borrowings and other general banking facilities with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of these banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

(iv) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006	2005
	RMB'000	*RMB'000*
Short-term benefits	**1,590**	2,616
Post-employment benefits	**44**	43
	1,634	2,659

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

36. RETIREMENT PLAN

According to the relevant laws and regulations of the PRC, the Group has to pay a sum equal to 20% (2005: 19%) of the basic wages and salaries to the government of the PRC, being the Group's contribution in respect of the statutory retirement fund in satisfaction of the Group's obligations to the PRC employees' retirement benefits. Total expenses for 2006 amounted to RMB22,010,000 (2005: RMB21,002,000).

Also, the Group has implemented a retirement plan for those employees who retired before their statutory retirement age. At 31 December 2006, the amount of the relevant obligation of the Group is RMB17,012,000 and is included in other payables at the balance sheet date.

37. CAPITAL COMMITMENTS

	2006 ***RMB'000***	2005 *RMB'000*
Contracted for but not provided for the purchase of property, plant and equipment	**7,812**	9,565

38. OPERATING LEASES

The Group as lessor

Rental income earned during the year was RMB6,294,000 (2005: RMB8,426,000) and the direct operating expense in relation to investment properties in immaterial. All of the properties held have committed tenants for the next 1 to 9 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receipts:

	2006 ***RMB'000***	2005 *RMB'000*
Within one year	**6,651**	4,863
In the second to fifth year inclusive	**8,150**	4,660
Over five years	**6,399**	—
	21,200	9,523

Minimum lease payments paid under operating leases in respect of property, plant and equipment during the year were RMB2,276,000 (2005: RMB1,230,000).

As at 31 December 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office, warehouse and factory facilities which fall due as follows:

	2006 ***RMB'000***	2005 *RMB'000*
Within one year	**1,206**	1,230
In the second to fifth year inclusive	**755**	1,702
Over five years	**503**	815
	2,464	3,747

Operating leases are negotiated for an average term of 2 years and rentals are fixed for an average of 2 years.

39. PLEDGED OF ASSETS

At the balance sheet date, the Group pledged the following assets to secure its borrowings and banking facilities.

	2006 ***RMB'000***	2005 *RMB'000*
Buildings		
Plant and machinery	**10,239**	10,501
Prepaid lease payments	**12,304**	14,768
Trade receivables	**22,171**	21,053
Bill receivables	**50,884**	22,753
	3,990	—
	99,588	69,075

40. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Form of business nature	Place of establishment/ incorporation and principal place of operation	Percentage of registered/issued share capital held by the Company Directly	Indirectly	Registered/ issued share capital	Principal activities
Beijing Beiren Fuji Printing Machinery Company Limited	Sino-foreign equity joint venture enterprise	PRC	70%	—	US$5,100,000	Manufacture of form printing presses
Beijing Beiren Jing Yan Printing Machinery Factory	Limited liability company	PRC	99.76%	—	RMB21,050,000	Manufacture of accessories for printing presses
Beijing Beiren Taihe Printing and Casting Factory	Community ownership	PRC	62.5%	—	RMB4,000,000	Manufacture of casting parts for printing presses
Beijing Beiren Yuxin Offset Printing Limited	Limited liability company	PRC	68.66%	—	RMB22,430,000	Provision of magazine and book printing support
Hebei Beiren Gei Zhi Ji Factory	Limited liability company	PRC	50.68%	—	RMB5,000,000	Manufacture of paper feeder machines
Haimen Beiren Printing Machinery Company Limited	Limited liability company	PRC	68.33%	14.21%	RMB40,000,000	Manufacture of printing presses
Hubei Beiren Printing Machinery Sales Limited	Limited liability company	PRC	51%	—	RMB1,500,000	Sale of printing machines and accessories for printing presses
Shanxi Beiren Printing Machinery Company Limited	Limited liability company	PRC	86.24%	—	RMB115,000,000	Sale of printing machines and accessories for printing presses
Sheenlite Limited	Limited liability company	Hong Kong	100%	—	HK$3	Provision of Hong Kong representative office and asset custodial service to the Group
Zhejiang Beiren Printing Machinery Sales Limited	Limited liability company	PRC	55%	—	RMB1,500,000	Sale of printing presses and related accessories

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year.

41. POST BALANCE SHEET EVENTS

The Income Tax Law of the People's Republic of China (the "New Income Tax Law") was promulgated by Order No. 63 of the President of the People's Republic of China on 16 March 2007, and will be effective from 1 January 2008. The impact of the "New Income Tax Law" to the entities which previously enjoy preferential tax benefits is not certain at the balance sheet date. Therefore the director of the Group cannot anticipate the impact in relation to the potential tax rate change on the financial statements.

De Shi Bao (Shen) (07) No. PB0019

To All Shareholders of Beiren Printing Merchinery Holdings Ltd:

We have audited the attached Beiren Printing Machinery Holdings Ltd. ("Beiren Printing") financial statements, among other things, the consolidated Balance Sheet dated 31 December 2006 and the Statement of profit and profits Distribution and the Cash Flow Statement for the year ended 31 December 2006 and the notes to the financial statements.

1. Management's responsibility for the financial statements

The responsibility for preparing these statements in accordance with "Accounting Standards for Business Enterprises" and the "Accounting Regulations for Business Enterprises" lies with the Company. These responsibility include: (1) design, implementation and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

2. Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted out audit in accordance with PRC standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. Opinion

In our opinion, such financial statements as set out from page 70 to page 106 are prepared in conformity with the "Accounting Standards for Business Enterprises", and the "Accounting Regulations for Business Enterprises" and in all material respects, present fairly the financial positions of the Beiren Printing as at 31 December 2006 and the results of its operations and cash flow for the year then ended.

Deloitte Touche Tohmatsu CPA Ltd
China • Shanghai

Chinese Certified Public Accountants
Ma Yanmei
Qiu Zhiling

24 April 2007

BALANCE SHEET

(Prepared under PRC accounting standards)
As at 31 December 2006

Assets	*Notes*	Consolidated Closing balance *Rmb*	Consolidated Opening balance *Rmb*	Company Closing balance *Rmb*	Company Opening balance *Rmb*
Current assets					
Cash and bank balances	5	82,804,512.27	100,860,695.33	42,636,228.02	43,551,113.63
Bills receivable	6	11,883,778.28	26,931,784.60	4,709,178.28	10,989,834.60
Accounts receivable	7	371,979,824.71	371,415,628.85	293,864,795.17	303,700,631.49
Other receivables	8	31,873,472.40	32,657,230.27	21,380,953.57	26,203,242.76
Prepayment	10	11,747,539.66	15,429,480.53	5,336,035.44	8,566,445.94
Inventories	11	710,196,289.75	719,812,008.30	522,708,543.24	529,096,509.44
Deferred expenses		543,627.86	248,855.86	4,239.96	10,500.00
Total current assets		1,221,029,044.93	1,267,355,683.74	890,639,973.68	922,118,277.86
Long term investment					
Long term equity investments	12	37,117,379.14	19,787,520.32	232,317,247.26	218,797,377.79
Including: Difference included included in scope of consolidation	12	—	1,231,361.11	—	—
Total long term investment		37,117,379.14	19,787,520.32	232,317,247.26	218,797,377.79
Fixed assets					
Fixed assets, at cost	13	1,284,817,628.90	1,262,176,690.64	1,007,720,101.72	965,258,018.77
Less: accumulated depreciating	13	463,772,076.57	483,990,572.40	338,878,737.90	319,211,046.42
Fixed assets, net book value		821,045,552.33	778,186,118.24	668,841,363.82	646,046,972.35
Less: fixed assets impariement	13	24,719,194.58	30,258,656.35	21,505,623.58	23,758,656.35
Fixed assets, net		796,326,357.75	747,927,461.89	647,335,740.24	622,288,316.00
Construction in progress	14	40,989,014.69	53,961,998.07	4,888,832.46	27,584,261.86
Total fixed assets		837,315,372.44	801,889,459.96	652,224,572.70	649,872,577.86
Intangible assets and other assets					
Intangible assets	15	25,311,812.79	26,132,662.01	20,693,646.68	20,513,840.39
Long term deferred expenses	16	12,140,006.10	12,218,786.10	12,128,291.10	12,194,291.10
Total intangible assets and other assets		37,451,818.89	38,351,448.11	32,821,937.78	32,708,131.49
Total assets		2,132,913,615.40	2,127,384,112.13	1,808,003,731.42	1,823,496,365.00

BALANCE SHEET

(Prepared under PRC accounting standards)
As at 31 December 2006

Liabilities and shareholders' equity	*Notes*	Consolidated Closing balance *Rmb*	Consolidated Opening balance *Rmb*	Company Closing balance *Rmb*	Company Opening balance *Rmb*
Current liabilities					
Short term loans	17	350,023,825.01	290,402,766.70	255,883,825.01	202,752,766.70
Bills payable	18	39,819,924.47	41,358,636.90	31,519,924.47	27,608,636.90
Accounts payable	19	319,056,119.55	259,170,965.18	236,544,971.23	196,598,882.97
Receipts in advance	20	57,893,822.26	35,431,652.65	29,984,028.07	7,208,361.34
Wages payable		138,407.23	2,866,278.68	—	26,950.00
Staff welfare		11,425,648.58	25,021,608.11	5,324,514.16	18,884,497.25
Taxes payable	21	11,690,349.46	19,525,478.07	503,821.06	10,054,121.18
Sundry payable	22	845,681.85	305,316.27	62,206.93	106,126.41
Other payable	23	78,789,441.80	69,167,434.52	63,416,212.04	56,968,383.95
Accrued liabilities	24	17,501,489.65	18,381,310.04	17,501,489.65	18,381,310.04
Accruals		738,227.70	2,227,864.55	—	1,363,932.37
Long term liabilities payable within one year	25, 26	33,550,000.00	32,550,000.00	—	—
Total current liabilities		921,472,937.56	796,409,311.67	640,740,992.62	539,953,969.11
Long term liabilities					
Long term loans	25	—	4,000,000.00	—	—
Total long term liabilities		—	4,000,000.00	—	—
Deferred tax					
Deferred tax credit	27	242,941.38	242,941.38	242,941.38	242,941.38
Total liabilities		921,715,878.94	800,652,253.05	640,983,934.00	540,196,910.49
Minority interests		45,887,106.31	46,231,826.25	—	—
Shareholders' equity					
Share capital	28	422,000,000.00	422,000,000.00	422,000,000.00	422,000,000.00
Capital reserve	29	523,020,271.06	520,864,095.43	524,038,491.54	521,882,315.91
Surplus reserve	30	197,666,214.93	197,666,214.93	192,564,789.29	192,564,789.29
Retained profits	31	22,474,593.24	139,909,389.09	28,416,516.59	146,852,349.31
Including: Cash dividend approved after balance sheet date	31	—	29,540,000.00	—	29,540,000.00
Exchange reserve		149,550.92	60,333.38	—	—
Total shareholders' equity		1,165,310,630.15	1,280,500,032.83	1,167,019,797.42	1,283,299,454.51
Total liabilities and shareholders' equity		2,132,913,615.40	2,127,384,112.13	1,808,003,731.42	1,823,496,365.00

The accompanying notes form an integral part of the financial statements.

The financial statements and the notes thereto set out in page 70 to page 106 are signed by the following:

Wang Guohua	**Zhang Peiwu**	**Jiang Jianming**
Legal Representative	Financial Controller	Financial Manager

STATEMENT OF PROFIT AND PROFITS DISTRIBUTION

(Prepared under PRC accounting standards)
For the year ended 31 December 2006

	Notes	Consolidated Closing 2006 (Accumulated) Rmb	Consolidated Opening 2005 (Accumulated) Rmb	Company Closing 2006 (Accumulated) Rmb	Company Opening 2005 (Accumulated) Rmb
Principal operating income:	32	961,584,242.44	995,386,645.38	654,646,901.38	707,112,162.47
Less: Sales tax and surcharge for principal operations	32	757,886,654.56	728,901,352.45	531,833,152.64	510,234,035.10
Principal operating cost	33	5,075,455.05	5,391,543.28	4,080,677.61	3,972,098.20
Gross		198,622,132.83	261,093,749.65	118,733,071.13	192,906,029.17
Add: Other operating profit	34	5,594,388.15	6,268,203.27	4,735,772.09	6,437,412.70
Less: Operating expense		69,992,645.68	58,837,093.40	40,341,849.77	39,128,323.80
Management expense		205,414,395.72	157,507,002.24	149,668,347.16	109,768,071.78
Financial cost	35	16,939,519.24	12,599,863.13	11,183,364.96	7,863,770.35
Operating profit (loss)		(88,130,039.66)	38,417,994.15	(77,724,718.67)	42,583,275.94
Add: Investment income (less: loss)	36	(3,913,657.00)	9,007,467.73	(10,903,061.37)	11,467,742.47
Non-operating income	37	3,575,168.69	14,808,506.24	535,811.26	6,919,372.23
Less: Non-operating expense	38	(1,210,701.77)	724,854.17	803,863.94	232,930.38
Less: Income tax		(87,257,826.20)	61,509,113.95	(88,895,832.72)	60,737,460.26
minority interests	39	2,224,095.20	13,123,623.77	—	11,143,669.62
Net profit (loss)		(1,587,125.55)	(404,865.87)	—	—
Add: Retained profits at beginning of the year		(87,894,795.85)	48,790,356.05	(88,895,832.72)	49,593,790.64
Distributable profits	31	139,909,389.09	134,944,772.52	146,852,349.31	140,937,316.79
Less: Transfer to statutory surplus reserve		52,014,593.24	183,735,128.57	57,956,516.59	190,531,107.43
Transfer to statutory public welfare fund	31	—	5,032,869.74	—	4,959,379.06
Profit distributable to shareholders		52,014,593.24	173,669,389.09	57,956,516.59	180,612,349.31
Less: Dividends payable – cash dividend for last year approved by general meeting		29,540,000.00	33,760,000.00	29,540,000.00	33,760,000.00
Retained profits		22,474,593.24	139,909,389.09	28,416,516.59	146,852,349.31

	Notes	Consolidated Closing 2006 (Accumulated) *Rmb*	Consolidated Opening 2005 (Accumulated) *Rmb*	Company Closing 2006 (Accumulated) *Rmb*	Company Opening 2005 (Accumulated) *Rmb*
Cash flows from operating activities					
Other cash received relating to operating activities		1,139,295,683.30	1,113,005,173.32	749,180,368.63	781,947,459.32
Cash received from sales of goods or rendering of services	41	38,536,511.80	9,453,647.13	7,734,570.38	9,422,670.07
Sub-total of cash inflows		1,177,832,195.10	1,122,458,820.45	756,914,939.01	791,370,129.39
Cash paid for goods and services		791,324,550.00	805,450,268.71	532,546,764.22	554,159,112.77
Cash paid to and on behalf of employees		175,109,848.22	161,036,955.53	113,345,981.48	110,452,556.59
Taxes and surcharges paid		78,200,098.57	95,960,734.17	56,045,124.04	73,419,119.29
Other cash paid relating to operating activities	42	97,876,237.20	91,365,231.62	66,054,705.94	63,353,935.80
Sub-total of cash outflows		1,142,510,733.99	1,153,813,190.03	767,992,575.68	801,384,724.45
Net cash flows from operating activities					
Cash flows from investment activities		35,321,461.11	(31,354,369.58)	(11,077,636.67)	(10,014,595.06)
Cash received from disposal of investment˜		1,000.00	—	—	—
Cash received from investment income		—	454,400.00	—	544,170.16
Increase due to change in the scope of consolidation	4(2)	1,060,572.74	—	—	—
Net cash received from disposal of fixed assets, intangible assets and other long term assets		3,341,237.39	3,159,732.12	348,598.00	727,000.95
Sub-total of cash inflows		4,402,810.13	3,614,132.12	348,598.00	1,271,171.11

CASH FLOW STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2006

	Notes	Consolidated Closing 2006 (Accumulated) Rmb	Consolidated Opening 2005 (Accumulated) Rmb	Company Closing 2006 (Accumulated) Rmb	Company Opening 2005 (Accumulated) Rmb
Cash paid to acquire fixed assets, intangible assets and other long term assets	4(3)	94,246,034.54	67,647,018.46	28,781,377.75	43,446,708.40
Cash paid for equity investments		22,540,000.00	—	22,540,000.00	11,000,000.00
Sub-total of cash outflows		116,786,034.54	67,647,018.46	51,321,377.75	54,446,708.40
Net cash flows from investment activities		(112,383,224.41)	(64,032,886.34)	(50,972,779.75)	(53,175,537.29)
Cash flows from financing activities					
Cash received from loans		451,510,800.00	360,143,166.70	351,370,800.00	264,493,166.70
Sub-total of cash inflows		451,510,800.00	360,143,166.70	351,370,800.00	264,493,166.70
Cash repayments of debts		346,650,000.00	273,227,400.00	250,000,000.00	192,127,400.00
Cash payments for distribution of dividends or profits and payments of interest expenses		45,734,141.55	46,775,162.90	40,235,269.19	41,835,630.47
Including: dividen paid by subsidiary to minority shareholders		—	—	—	—
Including: Other cash paid relating to financing activities		6,701,674.54	—	—	—
Sub-total of cash outflows		399,085,816.09	320,002,562.90	290,235,269.19	233,963,030.47
Net cash flows from financing activities		52,424,983.91	40,140,603.80	61,135,530.81	30,530,136.23
Effect of change in foreign exchange rate on cash and cash equivalents		(121,078.21)	(125,176.28)	—	(172,768.32)
Net decrease in cash and cash equivalents		(24,757,857.60)	(55,371,828.40)	(914,885.61)	(32,832,764.44)

CASH FLOW STATEMENT

(Prepared under PRC accounting standards)
For the year ended 31 December 2006

Supplementary Information	Notes	Consolidated Closing 2006 (Accumulated) *Rmb*	Consolidated Opening 2005 (Accumulated) *Rmb*	Company Closing 2006 (Accumulated) *Rmb*	Company Opening 2005 (Accumulated) *Rmb*
Reconciliation of profit after taxation to cash flow from operating activities		(87,894,795.85)	48,790,356.05	(88,895,832.72)	49,593,790.64
Add: Provision for diminution in value of assets		60,243,817.26	27,103,988.47	56,033,982.70	18,514,634.72
Depreciation of fixed assets		48,670,435.42	49,844,524.18	34,256,140.34	35,235,337.71
Amortisation of intangible assets		1,858,264.61	1,690,494.36	797,130.10	455,202.36
Amortisation of deferred expenses		78,780.00	78,780.00	66,000.00	66,000.00
Decrease in deferred expenses (less: increase)		(267,172.00)	460,385.63	6,260.04	11,354.00
Increase in accruals (less: decrease)		(1,489,636.85)	(1,588,450.09)	(1,363,932.37)	(2,227,877.18)
Loss on disposal of fixed assets, intangible assets and other long term assets (less: gains)		2,242,823.83	(4,567,149.04)	2,479,750.40	(3,105,548.10)
Financial cost		16,194,141.55	13,187,684.10	10,695,269.19	8,075,630.47
Investment loss (less: gains)		2,807,322.40	(7,238,961.37)	8,880,328.34	(11,465,557.31)
Loss on minority interests (less: gains)		(1,587,125.55)	(404,865.87)	—	—
Decrease in inventory (less: increase)		(35,297,589.25)	(105,493,752.83)	(34,795,094.07)	(84,355,073.76)
Decrease in operating receivables (less: increase)		(26,024,327.86)	(72,452,209.63)	(39,151,771.53)	(51,590,712.66)
Increase in operating payables (less: decrease)		55,786,523.40	19,234,806.46	39,914,132.91	30,778,224.05
Net cash flows from operating activities		35,321,461.11	(31,354,369.58)	(11,077,636.67)	(10,014,595.06)
Investment and fund raising activities not involving cash balance					
Overdue factoring of accounts receivable	17(3)(1)	48,239,741.69	30,065,433.30	48,239,741.69	30,065,433.30
Net increase/(decrease) in cash and cash equivalents					
Cash and bank balances at the end of the year	43	76,102,837.73	100,860,695.33	42,636,228.02	43,551,113.63
Less: Cash and bank balances at the beginning of the year	43	100,860,695.33	156,232,523.73	43,551,113.63	76,383,878.07
Net decrease in cash and cash equivalents		(24,757,857.60)	(55,371,828.40)	(914,885.61)	(32,832,764.44)

1. GENERAL

Beiren Printing Machinery Holdings Limited (the "Company") is a joint stock limited company established in the People's Republic of China by Beiren Group Corporation ("BGC") as the sole promoter. The Company was established on 13 July 1993. The Company's A Shares and H Shares have been listed in Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited respectively. After the listing, the Company's total share capital compirses 400,000,000 shares, including 250,000,000 state-owned legal shares, 50,000,000 doemestic public shares and 100,000,000 overseas public shares of Rmb1 each. The Company is principally engaged in the development, design, manufacturing and sales of printing machines, pressing machines, packing machines and parts and components of such machines. Other operations include technological consultancy and technical support services related to the major operations.

Based on the resolutions passed at the shareholders' general meetings held on 16 May 2001 and 11 June 2002 and approved by the document Zheng Jian Fa Xing Zi [2002] No. 133 of China Securities Regulatory and Supervisory Commission, the Company issued 22,000,000 new shares of renminbi ordinary shares (A Shares) to the social public shareholders with par value of Rmb1 for each share on 7 January 2003.

Details of the Company's share capital are set out in note 28.

2. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE

Accounting systems and standards

The Company prepares its financial statements in accordance with the Accounting Standards and the Accounting Regulations for Business Enterprises.

Basis of accounting and valuation

It is in accordance with the accrual concept and valuation is based on historical cost. Once diminution in value occurs in future, provision shall be made in accodance with relevant regulations.

Financial year

The Company adopts the calendar year as its financial year i.e. from 1 January to 31 December.

Reporting currency

The Company's books of accounts are maintained in Renminbi.

Foreign currencies

Transactions denominated in foreign currency (a currency other than the repoting currency) are translated into Renminbi at the medium exchange rate (°ßMarket Rate°®) quoted at the market ruling on the first date of the transaction month. Monetary accounts denominated in foreign currencies as at year end are translated into Renminbi at the Market Rate ruling at year end. The exchange differences arising from specific foreign currency loans relating to acquisition or construction of fixed assets are included as cost of those fixed assets before they are capable of being put in use or charged to long term deferred expense if they are still under construction; and the remaining are charged as financial expense.

Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were held for a short term. Cash equivalents are subject to insignificant risk of changes in value.

Provision for bad debts

(1) Basis of recognition of bad debts

A debtor who is bankrupt and makes repayment according to legal procedure. After that, the related account receivable is confirmed as unrecoverable;

A debtor who is dead and there is no estate for repayment and no obligatory guarantor. The related account receivable is confirmed as unrecoverable;

A debtor does not make repayment as agreed and there is genuine evidence that the related account receivable is unrecoverable or the possibility of recovering the account receivable is minimal.

(2) Accounting for loss arising from bad debts

Provision for unrecoverable method is adopted. Provision for bad debt is made based on the unrecoverability of accounts receivable at the end of the year. According to the past experience, the financial position and cash flow of the defaulting party and other information, analysis is firstly made for accounts receivable on a case-by-case basis, determining the amount of provision for bad debt. Then the general provison for bad debts is provided for the remaining accounts receivable based on the aging analysis method.

2. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

Transfer/discount of bills receivable and accounts receivable

The bills receivable and accounts receivable transferred/discounted by the Company to financing institutions, when the risks and rewards relating to the credit receivable have been passed, is charged to the profit and loss account in the period when they are incurred after deduction of the carrying value of the credit receivable and related tax and expenses. In the event that the risks and rewards relating to the credit receivable have not been passed, the credit receivable is accounted for as pledged for bank loan.

Inventories

Inventories are stated at actual cost upon acquisition. Actual cost includes acquisition cost, processing cost, and other cost of bringing inventories to their working condition and location for its intended use. Inventories include raw materials, work-in-progress and finished goods.

The cost of inventories sold is reviewed based on actual cost and calculated on a weighted average basis.

Consumables are charged to profit and loss account when acquired.

A perpetual inventory system is adopted for the calculation of inventory volume.

Provision for diminution in value of inventories

At the end of the year, inventories are stated at the lower of cost and net realizable value. Whenever the net realizable value is lower than cost, provision is made for diminution in value of each inventory.

Net realizable value is based on estimated selling price less further cost expected to be incurred to completion and disposal and less the relevant tax in the normal course of business.

Long term investments

(1) Long term investments

Long term equity investments are stated at historical cost upon acquisition.

The investee company to which the Company is unable to control, by itself or jointly with other parties, or to exert significant influence is accounted for using the cost method. The investee company to which the Company is able to control, by itself or jointly with other par ties, or to exert significant influence is accounted for using the equity method;

When the cost method is adopted, the amount of investment income is limited to the attributable amount of the accumulated net profits of the invested company after being acquired by the Company. The amount of profits or cash dividends declared to be distributed by the investee company in excess of the above should be treated as recovery of investment cost, and reduce the carrying amount of investments accordingly;

When the equity method is adopted, the amount of investment income arising from the investee company is the share of net profit (loss) generated by the investee company in the relevant period. In the event that share of net loss generated by the investee company is recognized, the carrying amount of investment is to be reduced until zero. In the event that the investee company recognizes net profit in the following periods and share of income exceeds share of unrecognized net loss, the carrying amount of investment is recovered to be positive.

In the event the equity method is adopted for long term equity investment, the difference of initial investment cost over the share of equity interest in the investee is recorded as the debit balance in the account of long term equity investment and is amortized on a straight-line basis over the term of investment as stated in the contract and charged to the profit and loss account. If there is no specific term stated in the contract, amortization is carried out over within 10 years. In the event initial investment cost was lesser than share of equity interest in the investee, the difference is credited to capital reserve.

(2) Provisions for diminution in value of long term investment

At the end of the period, the Company determines whether it is necessary to make provision for diminution in value based on the indication of diminution in value for long term debt investment. In the event the recoverability of long term debt investment is less than its carrying amount, provision is made based on such difference.

Recognition of the recoverable

The recoverable represents the higher of the net selling price of assets and cash flow arising from continuous use of such assets and the disposal of such assets before the end of useful lives.

2. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

Fixed assets and depreciation

Fixed assets are stated as actual cost upon acquisition. Following the second month after reaching its intended working condition, fixed assets are depreciated based on a straight-line method. Estimated residual ratio, depreciation period and annual depreciation rate of various fixed assets are as follows:

Item	Estimated residual ratio	Depreciation period	Annual depreciation rate
Buildings	3%	40	2.425%
Plant and machinery	3%	8-14	12.125%-6.929%
Electronic equipment, furniture & fixture	3%	8	12.125%
Transportation equipment	3%	8	12.125%

Subsequent expenditures relating to fixed assets are charged to the carrying amount of fixed assets when the potential economic benefits to the Company has exceeded the estimation, provided that the increased amount shall not exceed the recovable amount of such assets.

Provision for diminution in value of fixed assets

At the end of the period, the Company determines whether it is necessary to make provision for diminution in value based on the indication of diminution in value for fixed assets. In the event the recoverability of fixed assets is less than its carrying amount, provision is made based on such difference.

When there is an indication that the need for a provision for diminution in value of fixed assets recorded in a prior period is changed, the provision for diminution in value of fixed assets is reversed to the extent of the provision for diminution in value previously recognized, provided that the increased carrying amount of the assets should not exceed the carrying amount that would have been determined had no diminution in value been recognized for the assets in prior years.

Construction in progress

Construction in progress is stated at cost of construction. The cost of construction includes all construction, expenditure, borrowing costs of specific loans directly related to the construction and eligible for capitalisation and other relevant expenses attributable to such projects. The cost of construction in progress will be transferred to fixed assets when the construction in progress is capable of being put in use as planned.

At the end of the period, the Company determines whether it is necessary to make provision for diminution in value based on the indication of diminution in value for construction in progress. In the event the recoverability of construction in progress is less than its carrying amount, provision is made based on such difference.

Intangible assets

Intangible assets are stated as actual costs upon acquisition. The actual costs of acquired intangible assets are calculated on the basis of the price actually paid. For intangible assets that are internally generated and acquired by means of application according to legal procedures, their actual costs are calculated on the basis of the registration fees, legal costs, etc. incurred upon acquisition according to the law. Materials, wages and other expenses incurred during the course of research and development are directly charged into the profit and loss account for the current period. The acquired intangible assets are recognized as the actual price.

Land use right acquired before the implementation of Accounting Regulations for Business Enterprises or obtained by way of land grant premiums is recorded as intangible assets and is amortized on a straight-line basis for specific term and charged to profit and loss account. Land use right acquired after the implementation of Accounting Regulations for Business Enterprises or obtained by way of land grant premiums before construction of self-use project is recorded as intangible assets and is amortized on a straight-line basis for specific term and charged to profit and loss account. Because of the construction of self-use project, the carrying amount of land use right is transferred to construction cost.

Intangible assets are amortized on straight-line basis over the estimated life of such intangible assets from the month they are acquired, and charged to the profit and loss account for the corresponding period. If expected useful life is longer than the beneficial period as stipulated by the relevant contract or the effective period as stipulated by the law, the amortization period should not exceed the shorter of the beneficial period or the effective period. If there are no specific periods as stipulated by the relevant contract or the effective period as stipulated by the law, the amortization period should not exceed 10 years.

2. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

Provision for diminution in value of intangible assets

At the end of the period, the Company determines whether it is necessary to make provision for diminution in value based on the indication of diminution in value for intangible assets. In the event the recoverability of intangible assets is less than its carrying amount, provision is made based on such difference.

Long term deferred expenses

Long term deferred expenses represent expenses incurred for acquiring fixed assets. Expenses incurred during the incorporation of the Company are included in the profit and loss account in the first month after commencement of its operations.

Other long term deferred expenses are amortized on a straight-line basis for the beneficial terms.

Expected liabilities

In the event the related obligations of contingent liabilities meet the following conditions, the Company will recognised the amount as expected liabilities: (1) that obligations are the current obligations that the Company is responsible for; (2) the implementation of that obligations will probably lead to outflow of economic benefits; (3) the monetary amount of that obligations can be reliably ascertained.

Borrowing expenses

Borrowing expenses represent interest arising from borrowing, amortization of discount and premium and other auxiliary expenses, as well as difference in translation of foreign loan. Borrowing expense by way of special borrowing for acquiring fixed assets are capitalized based on the principle of capitalized amount of borrowing expenses recognized before such assets reaching their intended working condition. Other borrowing expenses are charged to the profit and loss account as incurred.

Revenue Recognition

Sales of goods

Sales of goods are recognised at the time when the substantial risks and rewards of ownership of the goods has been passed to the buyers, the Company no longer manages or physically controls the goods, the economic benefit relating to the transaction has been received by the Company and the related income and expenses can be reliably ascertained.

Interest income

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Leases

Rentals applicable to operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Rental applicable to operating leases are credited to the profit and loss account on a straight-line basis over the lease term.

Income tax

Income tax is accounted for using the tax accruing method. Income tax for the year is provided on the assessable income which is calculated on basis of the accounting profit adjusted in accordance with the relevant tax laws and regulations.

2. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

Basis for preparation of consolidated financial statements

(1) Principle of determination of consolidation

Scope of consolidation for consolidated financial statements includes the Company and its subsidiaries as set out in note 4 which fall into the scope the consolidation. Subsidiaries represent enterprises in which the Company's direct or indirect investment amount accounts for 50% or more of the total capital or enterprises over which the Company has actual control over their operations by way of other means.

When the ratio of sales revenue standard to profit standard calculated was below 10% in respect of the total asset, sales revenue and net profit of subsidiary for the period as shown according to the asset standard stated in the "Reply letter in relation to the submission of the scope of consolidation for consolidated financial statements" [Cai Hui Er Zi (1996) No. 2], pursuant to the principle of level of importance, the subsidiary can be excluded in the scope of consolidation. For those subsidiaries not included in the scope of consolidation, equity method was adopted for accounting in the consolidated finanical statements.

(2) Accounting method adopted in consolidated financial statements

Subsidiaries adopt the same principal accounting policy as the Company.

The Company determines the date of purchase or the date of disposal as the time when the transfer of risks and rewards relating to purchase and disposal of ownship of equity interests takes place. The operating results and cash flows of subsidiaries for the period after their acquisition and before their disposals are properly included in the Group's profit and loss account and cash flow statement.

Significant accounts and transactions between the Company and its subsidiaries and among its subsidiaries are eliminated upon consolidation.

Translation of the foreign currency financial statements

In the course of consolidation, foreign currency financial statements are translated to Renminbi financial statements according to the following:

Shareholders' funds other than the "undistributed profit" are translated into Renminbi at the rate ruling on the transaction date. All of the assets and liabilities are translated into Renminbi at the rate ruling on 31 December 2006. Items as set out in profit and loss account and profit distribution statement are translated into Renminbi at the average rate of the consolidated accounting period. Opening undistributed profit is the balance of closing undistributed profit for the previous year after translation. Closing undistributed profit is stated as other amount on the profit and loss account after translation. Difference in the total of assets and liabilities and shareholders' fund is stated as "difference in translation of foreign currency statements" which is disclosed as a separate item in the balance sheet.

All items as set out in the cash flow statement are translated into Renminbi at an average rate. Effect on cash flow from change in exchange rate is stated as "Effect on cash and cash equivalents from change in exchange rate", as an adjustment, which is disclosed as a separate item in the cash flow statement.

Opening balance and the actual amount in the previous year are stated after translation at rate set out in the financial statements for the previous year.

3. TAXATION

Value added tax

Output value added tax ("VAT") is calculated at 17% on revenue from principal operations in accordance with relevant taxation rules, and paid after deducting input VAT on purchases.

Income tax

In accordance with the document Cai Shui Zi (1997) No. 38 dated 10 March 1997 issued by the Ministry of Finance and State Tax Bureau, income tax is calculated at 15% of the total assessable income of the Company.

The subsidiaries have adopted the relevant applicable tax rates.

Other tax

Business tax is applicable to the 5% assessable income of the Company.

Urban maintenance and construction tax is calculated on the basis of the assessable amount of value added tax and business tax. The applicable tax rates are 5% and 7% respectively.

Educational surcharge is calculated on the basis of 3% of the assessable amount of value added tax and business tax of the Company.

4. SCOPE OF CONSOLIDATION, SUBSIDIARIES AND ASSOCIATED COMPANIES

As at 31 December 2006, the particulars of associated companies owned by the Company are as follows:

Name of subsidiaries	Registered address	Registered share capital	Percentage ofequity held by the Company *(%)*	Principal activities	Nature and type of corporation	Consolidated for the period
Beijing Beiren Fuji Printing Company Limited	Chao Yang District, Beijing	USD5,100,000.00	70.00	Manufacturing of printing machines and sale of self-manufactured products	Sino-joint venture	Yes
Beijing Beiren Jing Yan Printing Machinery Factory	Yan Qing Xi'an, Beijing	Rmb21,050,000.00	99.76	Manufacturing of printing machines and spare parts and provision of technical consultancy services	Joint stock associated	Yes
Beiren Tai He Printing and Casting Factory	Da Xing District, Beijing *(note 1)*	Rmb4,000,000.00	62.50	Manufacturing of casting parts for printing machinery	Collectively owned	No
Hebei Beiren Gei Zhi Ji Company Limited	Shi Jia Zhuang, Hebei Province	Rmb5,000,000.00	50.68	Manufacturing and sale of paper feeder machines and related accessories	Limited company	Yes
Haimen Beiren Printing Machinery Company Limited	Hai Men, Jiangsu Province	Rmb51,000,000.00	82.54	Manufacturing of printing machines and related accessories	Limited company	Yes
Sheenlite Limited	Hong Kong	HK$3.00	100.00	Provision of Hong Kong representative office and asset custodial service to the Group	Limited company	Yes
Beijing Beiren Yuxin Plastic Printing Company Limited	Dong Cheng District, Beijing	Rmb22,430,000.00	68.66	Printing, binding, typesetting and film-setting of books and periodicals	Limited company	Yes
Shaanxi Beiren Printing Machinery Company Limited	Wei Nan, Shaanxi Province	Rmb115,000,000.00	86.24	Manufacturing, sales and maintenance of printing machines, compound machines, packaging machines, engineering machines, electromechanical machines and parts	Limited company	Yes
Zhejiang Beiren Printing Machinery Operating and Sale Company Limited	Hangzhou, Zhejiang Province	Rmb1,500,000.00	55.00	Sale, installation and testing of printing machines and related accessories and provision and provision of technial consultancy services	Limited company	Yes
Hubei Beiren Printing Machinery Operating and Sale Company Limited	Wuhan, Hubei Province *(note 2)*	Rmb1,500,000.00	51.00	Sale, installation and testing of printing machines and related accessories and provision and provision of technical consultancy services	Limited company	Yes

4. SCOPE OF CONSOLIDATION, SUBSIDIARIES AND ASSOCIATED COMPANIES *(Continued)*

Notes:

1. Beijing Beiren Tai He Casting Factory ("Beiren Tai He) began liquidation in 2003. Pursuant to the Interim Requirement on Consolidated Financial Statements issued by the Ministry of Finance [Cai Kuai Zi (1995) No.11], Beiren Tai He was not included in the scope of consolidation for the year. The Company's equity investment in Beiren Tai He was accounted for in the consolidated financial statements based on the equity method. As at 31 December 2006, the liquidation of Beiren Tai He was not completed.

2. During 2005 and prior years, the ratios of the total assets, sales revenue and net profit for current year of Hubei Beiren Printing Machinery Operating and Sale Company Limited ("Hubei Beiren") were all less that 10% based on the calculation formula for asset, sales revenue and profit criterions as set out in the Reply to the Scope of Consolidation for Consolidated Financial Statements (Cai Kuai Er Zi (1996) No.2) issued by Accounting Bureau of the Ministry of Finance. However, Hubei Beiren was included in the scope of consolidation due to its loss for the year. As at 1 January 2006, Hubei Beiren had current assets of Rmb12,207,997.37, fixed assets of Rmb26,322.54, current liabilities of Rmb10,564,529.17 and net assets of Rmb1,669,790.74. The net cash inflow arising from consolidation of Hubei Beiren was Rmb1,060,572.74.

Save as circumstances mentioned in note 1, the above held subsidiaries are included in consolidated financial statements. Save as circumstances mentioned in note 2, the scope of consolidation for the period is consistent with that of the corresponding period last year.

As at 31 December 2006, the particulars of associated companies owned by the Company are as follows:

Name of the associated companies	Registered place	Registered share capital *Rmb*	Percentage of equity held by the Company *(%)*	Type of Nature of Business	Corporation
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	Beijing	2,000,000.00	45	Sale, installation and testing of printing machinery and related accessories and provision of technical consultancy services	Limited company
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	Shenyang, Liaoning Province	700,000.00	49	Sale, installation and testing of printing machinery and related accessories and provision of technical consultancy services	Limited company
Beijing Monigraf Automatic Systems Company Limited	Beijing	7,500,000.00	49	Development, design, manufacturing and sale of ink control system, printing apparatus, printing consumption production as well as installation, testing and provision of technical consultancy and training for self-produced products	Sino-foreign joint venture
Beijing Beiying Printing and Casting Company Limited	Beijing	5,680,000.00	20	Processing and sale of standard and non-standard spare parts, manufacturing of mould parts, processing of moulds, and techology development, transfer, consultancy and service	Limited company
Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited	Beijing	46,000,000.00	49	Production and sale of printing machinery; techonical services and consultancy for printing machinery	Sino-foreign joint venture

Note 3: On 25 May 2006, the Company and Mitsubishi Heavy Industries, Ltd. jointly established Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited (北京三菱重工北人印刷機械有限公司) ("Mitsubishi Beiren"). The registered capital of the joint venture amounted to Rmb46,000,000, of which the Company contributed Rmb22,540,000, representing 49% of the total registered capital. Mitsubishi Beiren is principally engaged in production and sale of printing machinery.

5. CASH AND BANK BALANCES

	Closing balance			Opening balance		
	Amount in foreign currency	Exchange rate	Rmb	Amount in foreign currency	Exchange rate	Rmb
Cash						
Renminbi			57,296.76			26,547.44
Foreign currency						
– Japanese Yen	129.06	0.065630	8.47	—	0.068716	—
– Hong Kong dollars	—	1.004700	—	4,618.20	1.040300	4,804.31
– U.S. dolloars	385.00	7.808700	3,006.35	30.12	8.070200	243.10
– South Korea Won	54,000.00	0.008300	448.20	8,930.00	0.007978	71.24
			60,759.78			31,666.09
Bank balances						
Renminbi			74,215,272.23			96,519,819.71
Foreign currency						
– Japanese Yen	737,445.99	0.065630	48,398.58	1,722,304.41	0.068716	118,349.87
– Hong Kong dollars	75,116.26	1.004700	75,469.31	856,363.92	1.040300	890,875.39
– Euro	486.92	10.266400	4,998.92	1,594.58	9.579700	15,275.60
–U.S. dolloars	217,441.94	7.808700	1,697,938.91	407,017.01	8.070200	3,284,708.67
			76,042,077.95			100,829,029.24
Other currencies			6,701,674.54			—
Total of cash in Renminbi			82,804,512.27			100,860,695.33

Note: Other currencies include RMB4,201,674.54 of pledged bank deposits and RMB2,500,000.00 of letter of credit deposit as at 31 December 2006.

6. BILLS RECEIVABLE

	Closing balance *Rmb*	Opening balance *Rmb*
Bank acceptance notes	11,883,778.28	26,931,784.60

Save for Rmb3,990,000 in bills receivable was pledged to secure the bank borrowings, as at the end of the year, the remaining bills receivable have not been pledged and mortgaged.

7. ACCOUNTS RECEIVABLE

The aging analysis of prepayment is as follows:

	Closing balance				Opening balance			
	Amount *Rmb*	Ratio *(%)*	Provision for bad debts *Rmb*	Net amount *Rmb*	Amount *Rmb*	Ratio *(%)*	Provision for bad debts *Rmb*	Net amount *Rmb*
Within 1 year	289,414,925.57	66.86	—	289,414,925.57	329,568,006.85	80.14	—	329,568,006.85
1 year-2 years	88,992,825.45	20.56	17,915,536.71	71,077,288.74	46,047,822.51	11.20	13,011,474.74	33,036,347.77
2 year-3 years	22,688,759.91	5.24	12,742,046.29	9,946,713.62	19,158,891.25	4.66	12,023,695.35	7,135,195.90
Over 3 years	31,746,723.44	7.34	30,205,826.66	1,540,896.78	16,482,899.92	4.00	14,806,821.59	1,676,078.33
Total	432,843,234.37	100.00	60,863,409.66	371,979,824.71	411,257,620.53	100.00	39,841,991.68	371,415,628.85

7. ACCOUNTS RECEIVABLE *(Continued)*

Note: During the year, the Company entered into a number of transactions on factoring of accounts receivable to obtain monetary fund for sale of printing machinery with China Merchants Bank, Beijing Jianguo Road Branch and Shanghai Pudong Development Bank, Beijing Economic Technological Development Zone Branch. The balance of factoring of accounts receivable was included in short term loans (see Note 17(3)), according to the notice of circulation of the Provisional Requirement on Accounting Treatment for Credit Receivable Financing Activities entered into between Enterprises and Banks or Financial Institutions (Cai Kuai [2003] No.14). As at 31 December 2006, the balance of factoring of accounts receivable was Rmb50,883,825.01.

The five largest accounts receivable are as follows:

Total amount of the five largest accounts receivable *Rmb*	**Percentage of the total value of the accounts receivable** *%*
72,068,105.36	16.65

The details of the balance of the accounts receivable due from shareholders who hold 5% or more of the Company's shares are as follows:

Name of shareholder	**Closing balance** *Rmb*	**Opening balance** *Rmb*
Beiren Group Corporation	910,000.00	10,248,370.00

8. OTHER RECEIVABLES

The aging of other accounts receivable is analysed as follows:

	Closing balance				Opening balance			
	Amount *Rmb*	Ratio *(%)*	Provision for bad debts *Rmb*	Net amount *Rmb*	Amount *Rmb*	Ratio *(%)*	Provision for bad debts *Rmb*	Net amount *Rmb*
Within 1 year	21,232,266.41	43.02	—	21,232,266.41	16,620,037.44	32.23	—	16,620,037.44
1 year-2 years	2,115,963.93	4.29	116,647.29	1,999,316.64	6,228,254.96	12.07	967,429.67	5,260,825.29
2 year-3 years	3,932,380.20	7.97	71,173.00	3,861,207.20	3,896,691.65	7.56	25,930.00	3,870,761.65
Over 3 years	22,069,575.10	44.72	17,288,892.95	4,780,682.15	24,824,156.13	48.14	17,918,550.24	6,905,605.89
Total	49,350,185.64	100.00	17,476,713.24	31,873,472.40	51,569,140.18	100.00	18,911,909.91	32,657,230.27

The five largest other receivables are as follows:

Total amount of the five largest accounts receivable *Rmb*	**Percentage of the total value of the accounts receivable** *%*
36,445,883.40	73.85

The balance of the other accounts receivable comprised no amount due from shareholders who hold 5% or more of the Company's shares.

9. PROVISION FOR BAD DEBTS

	Opening balance *Rmb*	**Provision for 2006** *Rmb*	**Transfer in 2006** *Rmb*	**Reversal in 2006** *Rmb*	**Closing balance** *Rmb*
Provision for bad debts					
Accounts receivable	39,841,991.68	22,189,545.52	(443,831.50)	(724,296.04)	60,863,409.66
Other receivables	18,911,909.91	1,500,000.00	(1,929,106.67)	(1,006,090.00)	17,476,713.24
Total	58,753,901.59	23,689,545.52	(2,372,938.17)	(1,730,386.04)	78,340,122.90

10. PREPAYMENT

The aging analysis of prepayment is as follows:

	Closing balance *Rmb*	*%*	Opening balance *Rmb*	*%*
Within 1 year	11,396,891.42	97.02	15,026,425.79	97.38
1 year-2 years	333,839.68	2.84	271,530.29	1.76
2 year-3 years	10,168.36	0.09	110,263.50	0.72
Over 3 years	6,640.20	0.05	21,260.95	0.14
Total	11,747,539.66	100.00	15,429,480.53	100.00

Details of the prepayments due from shareholders who hold 5% or more of the Company's shares are as follows:

	Closing balance *Rmb*	Opening balance *Rmb*
Beiren Group Corporation	—	490,000.00

11. INVENTORIES AND PROVISION FOR DIMINUTION IN VALUE OF INVENTORIES

	Closing balance			Opening balance		
	Amount *Rmb*	Provision for diminution in value *Rmb*	Net balance *Rmb*	Amount *Rmb*	Provision for diminution in value *Rmb*	Net balance *Rmb*
Raw materials	88,617,219.64	1,977,640.41	86,639,579.23	67,288,112.26	1,977,640.41	65,310,471.85
Work in progress	377,493,460.41	37,881,053.89	339,612,406.52	404,259,615.30	9,795,745.78	394,463,869.52
Finished goods	314,911,847.91	54,423,583.61	260,488,264.30	272,155,262.81	37,418,168.60	234,737,094.21
Semi-finished goods	23,154,641.98	—	23,154,641.98	24,784,659.22	—	24,784,659.22
Low value consumables	301,397.72	—	301,397.72	515,913.50	—	515,913.50
Total	804,478,567.66	94,282,277.91	710,196,289.75	769,003,563.09	49,191,554.79	719,812,008.30

Movement of the provision for diminution in value of inventories is as follows:

	Opening balance *Rmb*	Provision for 2006 *Rmb*	Transfer in 2006 *Rmb*	Closing balance *Rmb*
Provision for diminution in value of inventories				
Raw materials	1,977,640.41	—	—	1,977,640.41
Work in progress	9,795,745.78	31,169,351.45	(3,084,043.34)	37,881,053.89
Finished goods	37,418,168.60	25,387,939.95	(8,382,524.94)	54,423,583.61
Total	49,191,554.79	56,557,291.40	(11,466,568.28)	94,282,277.91

12. LONG-TERM EQUITY INVESTMENTS

	Closing balance *Rmb*	Opening balance *Rmb*
Investment in subsidiaries not included in scope of consolidation *(Note12(1))*	5,313,234.53	6,567,942.22
Investment in associated companies *(Note12(1))*	31,804,144.61	11,988,216.99
Other equity investment *(Note12(2))*	50,000.00	100,000.00
Difference included in scope of consolidation *(Note12(3))*	1,106,334.60	1,231,361.11
Total	38,273,713.74	19,887,520.32
Less: provision for diminution of long term equity investment	1,156,334.60	100,000.00
Long term equity investment, net	37,117,379.14	19,787,520.32

12. LONG-TERM EQUITY INVESTMENTS *(Continued)*

Changes in provision for diminution in value of long term equity investment are as follows:

	Rmb
Opening balance	100,000.00
Increased in the year	1,106,334.60
Other deductions in the year	(50,000.00)
Closing balance	1,156,334.60

(1) Details of subsidiaries and associated companies not included in scope of consolidation are as follows:

Name of investees	Initial investment *Rmb*	Share of registered capital of investee *%*	Increase / decrease in equity interest in investee in the year *Rmb*	Provision for equity investment *Rmb*	Dividends receivable *Rmb*	Accumulated increase/ decrease *Rmb*	Provision for diminution in value *Rmb*	Closing book value *Rmb*
Subsidiaries not included in consolidation Beiren Tai He	2,500,000.00	62.50	(37,972.83)	–	–	2,813,234.53	–	5,313,234.53
	2,500,000.00		(37,972.83)	–	–	2,813,234.53	–	5,313,234.53
Associated Company								
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	900,000.00	45.00	(233,176.99)	–	–	(310,514.65)	–	589,485.35
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	343,000.00	49.00	(481,485.54)	–	–	(150,284.96)	–	192,715.04
Beijing Beiying Moulding Company Limited	1,136,000.00	20.00	1,273,184.62	–	(227,200.00)	3,034,136.91	–	4,170,136.91
Beijing Monigraf Automatic Systems Company Limited	3,675,000.00	49.00	534,161.82	–	–	4,226,363.60	–	7,901,363.60
Mitsubishi Beiren (note)	22,540,000.00	49.00	(3,740,340.07)	150,783.78	–	(3,589,556.29)	–	18,950,443.71
	28,594,000.00		(2,647,656.16)	150,783.78	(227,200.00)	3,210,144.61	–	31,804,144.61
	31,094,000.00		(2,685,628.99)	150,783.78	(227,200.00)	6,023,379.14	–	37,117,379.14

Note: The Company and Mitsubishi Heavy Industries, Ltd. jointly established Mitsubishi Beiren in Beijing, details of which are set out in Note 4.

(2) Changes in the other equity investment are as follows:

		Closing balance *Rmb*	**Opening balance** *Rmb*
Ying Shen Associated Company Limited	*Note*	50,000.00	50,000.00
Xian Printing Joint Development Company	*Note*	—	50,000.00
Total		50,000.00	100,000.00
Less: provision for diminution of long term equity investment		(50,000.00)	(100,000.00)
		—	—

Note: Investment to Ying Shen Associated Company Limited and Xi'an Printing Joint Development Company ("Xi'an Printing Joint") by Shaaxi Beiren Printing Machinery Company Limited ("Shaanxi Beiren", a subsidiary of the Company) amounted to Rmb100,000.00 in total. Since the Company had no control or material influence on the said investment which is expected to be irrecoverable, provision for diminution in value long term equity investment was made in full for such investment amount during previous year. During the year, the Company disposed all its equity interests in Xi'an Yin Joint, and reversed the provision for diminution in value of long term equity investment of Rmb50,000.00 made during the previous year, with an income from disposal of Rmb1,000.00.

12. LONG-TERM EQUITY INVESTMENTS *(Continued)*

(3) Difference included in scope of consolidation

Name of investee Companies	Initial amount *Rmb*	Amortisation period	Opening balance *Rmb*	Addition in the period *Rmb*	Amortisation in 2006 *Rmb*	Closing balance *Rmb*	Reason for forming difference
Haimen Beiren	1,250,265.16	10 years	1,231,361.11	—	(125,026.51)	1,106,334.60	See note
Less: impairment provision	—		—	(1,106,334.60)	—	(1,106,334.60)	See note
Difference included in scope of consolidation, net	1,250,265.16		1,231,361.11	(1,106,334.60)	(125,026.51)	—	

Note: Haimen Beiren Fuji Printing Machinery Company Limited ("Haimen Beiren") is held jointly by the Company and its subsidiary Beijing Beiren Fuji Printing Machinery Company Limited. Difference in equity investment of Rmb1,250,265.16 was arisen from the capital increase to Haimen Beiren by the Company in 2005 and will be amortised over 10 years.

Haimen Beiren has been suffering a loss since the Company increased capital contribution to Haimen Beiren. It is expected Haimen Beiren will not turn loss into profit in foreseeable future years. Therefore°A the Company transferred the balance in price difference before consolidation in 2006 to impairment provision.

13. FIXED ASSETS

	Buildings *Rmb*	Plant and machinery *Rmb*	Furniture, fixture and equipment *Rmb*	Motor vehicle *Rmb*	Total *Rmb*
Cost					
At beginning of the period	653,376,099.69	526,588,627.87	61,343,032.85	20,868,930.23	1,262,176,690.64
Increase from change in the scope of consolidation	—	—	60,148.66	—	60,148.66
Additions	9,231,394.20	1,733,426.62	1,096,165.46	1,970,372.70	14,013,358.98
Transfer from construction in progress	65,019,887.45	16,901,231.13	19,691,171.16	—	101,612,289.74
Decreased amount during the year	(53,503,761.55)	(37,602,034.72)	(407,806.10)	(1,549,256.75)	(93,062,859.12)
At end of the period	674,123,619.79	507,621,250.90	81,782,712.03	21,290,046.18	1,284,817,628.90
Accumulated depreciation					
At beginning of the period	114,003,088.40	310,079,844.67	46,317,109.05	13,590,530.28	483,990,572.40
Increase from change in the scope of consolidation	—	—	33,826.12	—	33,826.12
Provision for 2006	16,360,331.50	16,226,165.62	14,026,716.37	2,135,257.69	48,748,471.18
Decreased amount during the year	(34,546,297.45)	(32,927,031.15)	(361,118.15)	(1,166,346.38)	(69,000,793.13)
At end of the period	95,817,122.45	293,378,979.14	60,016,533.39	14,559,441.59	463,772,076.57
Provision for diminution in value					
At beginning of the period	6,500,000.00	23,758,656.35	—	—	30,258,656.35
Provision for 2006	—	—	—	213,571.00	213,571.00
Reversal in 2006	(3,500,000.00)	—	—	—	(3,500,000.00)
Other transfer out in 2006	—	(2,253,032.77)	—	—	(2,253,032.77)
At end of the period	3,000,000.00	21,505,623.58	—	213,571.00	24,719,194.58
Net book values					
At beginning of the period	532,873,011.29	192,750,126.85	15,025,923.80	7,278,399.95	747,927,461.89
At end of the period	575,306,497.34	192,736,648.18	21,766,178.64	6,517,033.59	796,326,357.75
Including:					
Net assets pledged at the end of 2006 *(note 1)*	32,410,608.77	12,304,090.54	—	—	44,714,699.31
Assets leased out under operating leases at end of 2006 *(note 2)*	79,709,127.98	—	—	—	79,709,127.98

13. FIXED ASSETS *(Continued)*

Note 1: The amounts represent the net amounts of assets pledged as charge as at the end of 2006 to secure the short term loans granted to the Company's subsidiaries Shaanxi Beiren and Haimen Beiren (see note 2 of Note 17).

Note 2: During the year, the Company respectively leased out certain fixed assets with cost as Rmb75,792,655.87, Rmb5,674,099.04 and Rmb1,229,794.51 to Beijing Beiying Printing and Casting Company Limited, Mitsubishi Beiren and Beijing Monigraf Automatic Control System Limited. As at 31 December 2006, the net book value of the above fixed assets amounted to Rmb73,827,137.69, Rmb5,284,485.68 and Rmb597,504.61. Details are set out in notes 3, 4 and 5of Note 45(4)(c).

Note 3: As at 31 December 2006, the Company has not obtained land use rights certificates for 92.126 acreages of land acquired by it and located in Da Xing District in Beijing.

14. CONSTRUCTION IN PROGRESS

	Opening balance *Rmb*	Addition in the period *Rmb*	Transfer upon completion in the period *Rmb*	Closing balance *Rmb*
Construction in progress	55,127,825.89	88,639,306.36	(101,612,289.74)	42,154,842.51
Less: provision for diminution in value	(1,165,827.82)	—	—	(1,165,827.82)
Construction in progress, net	53,961,998.07	88,639,306.36	(101,612,289.74)	40,989,014.69

Project name	Budget amount *Rmb*	Opening balance *Rmb*	Additions in 2006 *Rmb*	Completed in 2006: Transfer upon completion in 2006 *Rmb*	Completed in 2006: Provision for diminution in value *Rmb* *Note 2:*	Closing balance *Rmb*	Source of founds *Rmb*	Progress of work
Equipment renovation	7,490,600.00	28,694,144.06	4,852,854.75	(26,594,376.54)	(1,165,827.82)	5,786,794.45	•	93%
Development of new plant site	44,180,300.00	24,310,796.31	60,797,961.74	(50,028,040.70)	—	35,080,717.35	•	79%
Workshop improvements	150,000.00	2,122,885.52	22,988,489.87	(24,989,872.50)	—	121,502.89	•	81%
	51,820,900.00	55,127,825.89	88,639,306.36	(101,612,289.74)	(1,165,827.82)	40,989,014.69		

Notes:

(1) During the year, there was no interest capitalised.

(2) The Company has made full provision for diminution in value for construction in progress including resin sand which has been suspended for a long term and is not expected to restart in the future.

	Closing and opening balance *Rmb*
Changes in provision for diminution in value of construction in progress	1,165,827.82

15. INTANGIBLE ASSETS

Obtaining method	Land use right *Rmb* *(Note 1)*	Industrial property right and technical knowledge *Rmb* *(Note 2)*	Software *Rmb* *(Note 3)*	Total *Rmb*
At cost				
Opening balance	26,751,557.30	11,085,296.13	660,268.00	38,497,121.43
Increase in the year	—	976,936.39	60,479.00	1,037,415.39
Closing balance	26,751,557.30	12,062,232.52	720,747.00	39,534,536.82
Accumulated amortisation				
Opening balance	3,017,955.31	9,229,650.11	116,854.00	12,364,459.42
Provision for 2006	535,031.16	1,161,668.45	161,565.00	1,858,264.61
Closing balance	3,552,986.47	10,391,318.56	278,419.00	14,222,724.03
Provision for diminution in value				
Closing and opening balance	—	—	—	—
Net value				
Opening balance	23,733,601.99	1,855,646.02	543,414.00	26,132,662.01
Closing balance	23,198,570.83	1,670,913.96	442,328.00	25,311,812.79
Remaining amortisation period	40 years-47 years	1 year-8 years	4 years	

Note 1: Land use rights of the Company were acquired from local land administrative bureaus at consideration of land premium, with land use certificates.

Note 2: The industrial property right and technical knowhow of the Company was invested or purchased by its investors.

Note 3: The software was purchased by the Company.

16. LONG TERM DEFFERRED EXPENSES

Type	Initial amount *Rmb*	Opening balance *Rmb*	Amortisation in 2006 *Rmb*	Closing balance *Rmb*	Remaining amortisation period *Year*
Land development cost *(Note)*	15,634,000.00	12,194,291.10	(66,000.00)	12,128,291.10	37
Others	63,900.00	24,495.00	(12,780.00)	11,715.00	1
	15,697,900.00	12,218,786.10	(78,780.00)	12,140,006.10	

Note: The land development cost was contributed at valued amount into the Company by Beiren Group Corporation upon the Company's reorganisation as a joint stock company.

17. Short term loans

Type of loan		Closing balance *Rmb*	Opening balance *Rmb*
Guaranteed bank loans	*(Note 1)*	48,000,000.00	45,000,000.00
Pledged bank loans	*(Note 2)*	42,150,000.00	42,650,000.00
Pledged bank loans	*(Note 3)*	54,873,825.01	22,752,766.70
Credit bank loans		205,000,000.00	180,000,000.00
		350,023,825.01	290,402,766.70

Note 1: Among the guaranteed bank loans at the end of 2006, Rmb25,000,000.00 bearing annual interest rates from 5.022% to 5.301% was guaranteed by Beiren Group Corporation, and Rmb23,000,000.00 bearing an annual interest of 6.138% was guaranteed by Cinder Real Estate Development Company Limited.

17. Short term loans *(Continued)*

Note 2: Pledged bank loans at the end of 2006 included:

(1) The 1-year term loan of Rmb14,500,000.00 bearing an annual interest rate of 6.143% and 1-year term loan of Rmb10,000,000.00 bearing an annual interest of 5.859% provided to Shaanxi Beiren by China Industrial and Commercial Bank, Weinan Branch and China Construction Bank , Weinan Branch was secured by land use right with net value of Rmb17,417,654.14; the 1-year term loan of Rmb7,700,000.00 bearing an annual interest rate of 6.138% provided to Shaanxi Beiren by China Industrial and Commercial Bank, Weinan Branch was secured by machinery with net value of Rmb10,645,501.30.

(2) The 1-year term loan of Rmb1,000,000.00 bearing an annual interest rate of 7.800% provided to Haimen Beiren by Haimen City Credit Cooperative was secured by machinery with net value of Rmb752,857.04; the 1-year term loan of Rmb450,000.00 bearing an annual interest rate of 7.308% and the 1-year term loan of Rmb500,000.00 bearing an annual interest rate of 8.196% provided by Haimen City Credit Cooperative was secured by machinery with net value of 905,732.20; the 1-year term loan of Rmb3,500,000.00 bearing an annual interest rate of 8.363% provided by China Industrial and Commercial Bank, Haimen Branch was secured by land use right with net value of Rmb4,753,530.66; the 1-year term loan of Rmb4,500,000.00 bearing an annual interest rate of 7.020% provided by China Industrial and Commercial Bank, Haimen Branch was secured by buildings with net value of Rmb10,239,423.97.

Note 3: The pledged bank loans as at the end of 2006 include:

(1) During 2006, the Company entered into new contracts on factoring of accounts receivable with China Merchants Bank, Bejing Jianguo Road Branch and Shanghai Pudong Development Bank, Beijing Economic Technological Development Zone Branch with a total contractual amount of Rmb76,370,800.00. The amount of factoring of accounts receivable due within 2006 was Rmb48,239,741.69. As at 31 December 2006, the outstanding short term pledged bank loans under the said contracts on factoring of accounts receivable amounted to Rmb50,883,825.01.

(2) As at the end of 2006, the Company's subsidiaries Shaanxi Beiren and Hebei Beiren Paper Feeder Company Limited discounted outstanding bills receivable of Rmb1,750,000.00 and Rmb2,240,000.00 respectively, resulting in outstanding pledged bank loans of Rmb3,990,000.00.

18. Bills payable

Type of loan	Closing balance *Rmb*	Opening balance *Rmb*
Bills payable	39,819,924.47	41,358,636.90

Bills payable due to shareholders who hold 5% or more of the share capital of the Company is as follows:

Name of shareholder	Closing balance *Rmb*	Opening balance *Rmb*
Beiren Group Corporation	—	500,000.00

19. ACCOUNTS PAYABLE

Accounts payable to shareholders who hold 5% or more of the share capital of the Company:

Name of shareholder	Closing balance *Rmb*	Opening balance *Rmb*
Beiren Group Corporation	5,564,997.38	1,031,080.00

20. RECEIPTS IN ADVANCE

No receipts in advance from shareholders who hold 5% or more of the share capital of the Company.

21. TAXES PAYABLES

	Closing balance *Rmb*	Opening balance *Rmb*
Income tax	737,632.72	4,165,972.96
Value added tax	8,645,220.46	13,607,772.63
Business tax	164,856.21	371,077.78
Urban maintenance and construction tax	292,716.66	458,176.44
Others	1,849,923.41	922,478.26
	11,690,349.46	19,525,478.07

22. SUNDRY PAYABLES

Nature	Accured standard	Closing balance *Rmb*	Opening balance *Rmb*
Educational surcharge	3% of value added tax and business tax payable	70,441.16	147,439.20
Housing reserve		614,029.29	103,387.81
Others		161,211.40	54,489.26
		845,681.85	305,316.27

23. OTHER PAYABLES

The balance of other payables due to shareholders who hold 5% or more of the share capital of the Company is as follows:

Name of shareholder	Closing balance *Rmb*	Opening balance *Rmb*
Beiren Group Corporation	14,996,324.25	20,460,112.16

Note: As at 31 December 2006, the Company had payments of Rmb14,996,324.25 due to Beiren Group Corporation in respect of the acquisition of assets of Beijing No. 4 Plant.

24. ACCRUED LIABILITIES

	Closing balance *Rmb*	Opening balance *Rmb*
Expected liabilities	17,501,489.65	18,381,310.04

The accrued liabilities arose from the Company's acquisition of Shaanxi Beiren in 2002 and the actual payment to discharge the obligation during the year aggregated to Rmb879,820.39.

25. LONG-TERM LOANS

Name of Lender	Closing balance *Rmb*	Opening balance *Rmb*	Term of loans	Interest rate per annum *%*	Terms of loans	
China Agricultural Bank (Wei Nan Branch) Business department	4,000,000.00	7,000,000.00	2004.8.17 – 2007.8.17	5.58	Pledged loans	Note
	4,000,000.00	7,000,000.00				
Less: Long term debt due within one year	(4,000,000.00)	(3,000,000.00)				
Repayable due after one year	—	4,000,000.00				
Types of loans repayable within one year:						
Pledged loans	4,000,000.00	3,000,000.00				

Note: Among the balance at the end of the year, the long term loan of Rmb4,000,000.00 provided by China Agricultural Bank, Weinan Branch was secured by the assets of Weinan City Cinder Real Estate Development Company Limited, with a term from !7 August 2004 to 17 August 2007 and bearing an interest rate of 5.580% per annum.

26. LONG TERM PAYABLES

	Closing balance *Rmb*	Opening balance *Rmb*
Long term payables	29,550,000.00	29,550,000.00
Less: Long term liabilities due within one year	29,550,000.00	29,550,000.00
Repayable due after one year	—	—

Note: At the time the Company's subsidiary Beijing Beiren Yuxin Plastic Printing Company Limited ("Beiren Yuxin") was set up, its minority shareholder Beijing Plastic Printing Factory contributed part of its net assets to Beiren Yuxin in December 2001 as its long term investment therein, including a long term loan of Rmb18,450,000.00 and a short term loan of Rmb11,100,000.00. In 2002, Beiren Yuxin and Beijing Plastic Printing Factory reached an agreement upon negotiations that Beijing Plastic Printing Factory agreed to undertake the obligations of repaying the principal and interest thereon. Beiren Yuxin will be required to repay the above mentioned amount to Beijing Plastic Printing Factory by equal installments. The said long term loans included four individual loans each of which fell due prior to 28 April 2004.

27. DEFERRED TAX CREDIT

	Closing balance and opening balance Rmb
Deferred tax credit	242,941.38

In accordance with the relevant regulations issued by the Ministry of Finance, the future tax payable arising from investment in non-cash assets before 1997 in respect of the excess of fair values over the book values of non-cash assets used for the purpose of investments is transferred to deferred tax credit.

28. Share capital

There was no change in share capital of the Company in 2005. The changes in share capital of the Company during the period from 1 January to 31 December 2006 are as follows:

		Circulating shares				
			Circulating shares subject to no trading moratorium			
	Non-circulating shares (share) Promoter's shares - State-owned legal person shares *Rmb*	Subject to trading moratorium Promoter's shares - State-owned legal person shares *Rmb*	Domestic listed Renminbi ordinary shares *Rmb*	Overseas listed foreign shares *Rmb*	Subtotal *Rmb*	Total *Rmb*
1 January 2005 and 2006	250,000,000.00	—	72,000,000.00	100,000,000.00	172,000,000.00	422,000,000.00
Additions in 2006 *(Note)*	—	222,640,000.00	27,360,000.00	—	27,360,000.00	250,000,000.00
Decrease in 2006 *(Note)*	(250,000,000.00)	—	—	—	—	(250,000,000.00)
31 December 2006	—	222,640,000.00	99,360,000.00	100,000,000.00	199,360,000.00	422,000,000.00

The nominal value of each of the above shares is Rmb1.00.

Note: Pursuant to the Reply to Issues in Share Segregation Reform of Beiren Printing Machinery Holdings Limited (Jing Guo Zi Chan Quan Zi [2006] No.25) issued by the State-owned Assets Supervision and Administration Commission of Beijing Municipal Government, Beiren Group Corporation, the sole holder of non-circulating shares in the Company, offered 27,360,000 existing state-owned legal person shares to the holders of circulating A shares by allotting 3.8 shares for every 10 shares held by them. The record date of A shares for the Share Segregation Reform was 29 March 2006. After completion of the Share Segregation Reform, Beiren Group Corporation held 222,640,000 state-owned legal person shares in the Company, representing 52.76% of the Company's total share capital.

29. CAPITAL RESERVE

In 2005 and 2006, changes in capital reserve are as follows:

	Share Premium *Rmb*	Provision of equity investment *Rmb* *(Note 1)*	Other capital reserve *Rmb* *(Note 2)*	Total *Rmb*
1 January 2005 and 31 December 2005	517,305,478.93	2,152,969.93	1,405,646.57	520,864,095.43
Additions in 2006	—	150,783.78	2,005,391.85	2,156,175.63
31 December 2006	517,305,478.93	2,303,753.71	3,411,038.42	523,020,271.06

Note 1: The addition in the year of Rmb150,783.78 was the provision for equity investment of the Company resulting from the increase in capital reserve of Mitsubishi Beiren, an associated company of the Company.

Note 2: The addition in the year of Rmb2,005,391.85 was the other capital reserve transferred from unclaimed due amount of Haimen Beiren, a subsidiary of the Company.

30. SURPLUS RESERVE

In 2005 and 2006, changes in surplus reserve are as follows:

	Statutory surplus reserve *Rmb*	Discretionary surplus reserve *Rmb*	Statutory public welfare fund *Rmb*	Total *Rmb*
1 January 2005	77,406,796.93	42,979,710.17	67,213,968.35	187,600,475.45
Additions in the year	5,032,869.74	—	5,032,869.74	10,065,739.48
31 December 2005	82,439,666.67	42,979,710.17	72,246,838.09	197,666,214.93
Transfer of Statutory public welfare fund to Statutory surplus reserve	72,246,838.09	—	(72,246,838.09)	—
31 December 2006	154,686,504.76	42,979,710.17	—	197,666,214.93

Statutory surplus reserve can be used to cover loss recorded before, expand production capacity and operations and increase capital. According to the Circular Cai Qi [2006] No.67 on Enterprise Financial Treatments After the Company Law Coming Into Effect issued by the Ministry of Finance on 15 March 2006, the Company will not appropriate statutory public welfare fund from 1 January 2006 and thereby transferred the balance of statutory public welfare fund at the beginning of the year to the statutory surplus reserve.

31. RETAINED PROFITS

		2006 (Accumulated) *Rmb*	2005 (Accumulated) *Rmb*
Retained profits at 1 January 2006		139,909,389.09	134,944,772.52
Add: Net profit for the year		(87,894,795.85)	48,790,356.05
Less: Transfer to statutory surplus reserve	*(note 1)*	—	5,032,869.74
Transfer to statutory public welfare fund		—	5,032,869.74
Profits distributable to shareholders		52,014,593.24	173,669,389.09
Less: Cash dividend payable for the previous year approved by general meeting	*(note 2)*	29,540,000.00	33,760,000.00
Retained profit at 31 December 2006		22,474,593.24	139,909,389.09
Including: Cash dividend distribution approved after the balance sheet date		—	29,540,000.00

31. RETAINED PROFITS *(Continued)*

Note 1: Transfer to statutory surplus reserve

According to the Rule 177 of the Company Law and Articles of Association of the Company, 10% of net profit of the Company is transferred to statutory surplus reserve. Such transfer can be ceased when the accumulated amount of statutory surplus reserve reaches 50% of the Company's registered capital.

In preparation of consolidated financial statements, profits are transferred to statutory surplus reserve according to the Company's share of transfer in its subsidiary for the year.

Note 2: Cash dividend approved by general meeting

As approved by the 2005 annual general meeting, a cash dividend of Rmb0.70 (including tax) for every 10 shares was distributed to all of its shareholders on the basis of the Company's total issued share capital of 422,000,000 shares of Rmb1.00 each.

32. PRINCIPAL OPERATING INCOME/COSTS

	2006 (Accumulated)		2005 (Accumulated)	
	Turnover *Rmb*	**Cost** *Rmb*	**Turnover** *Rmb*	**Cost** *Rmb*
Local sales				
Sheet-fed offset printing press	435,806,893.49	385,913,094.03	429,898,254.62	332,497,166.53
Web-fed offset printing press	220,449,572.98	140,291,941.05	264,661,239.18	173,668,763.09
Intrusion printing machines	142,441,132.80	111,042,614.58	165,108,391.41	133,052,935.39
Form-printing machines	71,267,897.41	54,596,640.54	49,249,999.93	38,788,991.16
Sale of spare parts	17,253,541.76	11,559,116.80	13,478,393.15	8,025,797.82
Printing operations	19,203,453.70	13,765,346.30	23,575,516.56	16,477,547.39
Others	2,023,175.63	1,219,548.03	3,834,293.89	1,618,787.04
	908,445,667.77	718,388,301.33	949,806,088.74	704,129,988.42
Export sales				
Sales of printing machines	53,138,574.67	39,498,353.23	45,580,556.64	24,771,364.03
	53,138,574.67	39,498,353.23	45,580,556.64	24,771,364.03
	961,584,242.44	757,886,654.56	995,386,645.38	728,901,352.45

Percentage of sales to the top five customers *Rmb0'000*	**Percentage of the total sales** *%*
10,015.34	10.42

33. SALES TAX AND SURCHARGE FOR PRINCIPAL OPERATIONS

Tax	**2006 (Accumulated)** *Rmb*	**2005 (Accumulated)** *Rmb*
Urban maintenance and construction tax	3,525,138.64	3,734,743.50
Educational surcharge	1,546,541.41	1,648,989.78
Business tax	3,775.00	7,810.00
	5,075,455.05	5,391,543.28

34. Other operating profit

	2006 (Accumulated) *Rmb*	2005 (Accumulated) *Rmb*
Sales of materials		
— Income	9,567,873.57	8,152,953.98
— Cost	8,917,908.67	7,830,426.11
	649,964.90	322,527.87
Rental income		
— Income	6,542,171.00	7,497,782.76
— Cost	1,635,669.50	1,609,782.30
	4,906,501.50	5,888,000.46
Others		
— Income	622,309.32	460,902.29
— Cost	584,387.57	403,227.35
	37,921.75	57,674.94
	5,594,388.15	6,268,203.27

35. FINANCIAL COST

	2006 (Accumulated) *Rmb*	2005 (Accumulated) *Rmb*
Interest expenses	16,194,141.55	13,015,162.90
Less: Interest income	1,036,195.57	1,221,153.85
Exchange loss	839,257.33	391,750.43
Less: Exchange income	56,685.79	12,746.44
Handling charge of financial institutions and others	999,001.72	426,850.09
	16,939,519.24	12,599,863.13

36. INVESTMENT INCOME

	2006 (Accumulated) *Rmb*	2005 (Accumulated) *Rmb*
Long term investment income		
Income (loss) recognized using equity method	(2,685,628.99)	7,255,680.26
Income from disposal of long term equity investment *(note)*	3,333.10	2,185.16
Amortisation on the differences of equity investment	(125,026.51)	(18,904.05)
Loss from diminution in value of long term equity investment	(1,106,334.60)	1,768,506.36
	(3,913,657.00)	9,007,467.73

Note: The Company completed the liquidation of Xi'an Beiren Beifu Printing Machinery Operation and Sale Company Limited as at the end of 2006, with a liquidation income of Rmb2,333.10.

The Company disposed all its equity interests in Xi'an Yin Joint during the year, with a disposal income of Rmb1,000.00.

37. NON-OPERATING INCOME

Item	2006 (Accumulated) *Rmb*	2005 (Accumulated) *Rmb*
Net income from disposal of fixed assets	1,615,398.06	4,952,655.37
Income from relocation compensation	623,934.73	5,903,636.81
Others	1,335,835.90	3,952,214.06
	3,575,168.69	14,808,506.24

38. NON-OPERATING EXPENSE

Item	2006 (Accumulated) *Rmb*	2005 (Accumulated) *Rmb*
Provision for diminution in value of fixed assets	213,571.00	—
Reversal of provision for diminution in value of fixed assets	(3,500,000.00)	—
Net expense from disposal of fixed assets	576,335.10	385,506.33
Others	1,499,392.13	339,347.84
	(1,210,701.77)	724,854.17

39. INCOME TAX

	2006 (Accumulated) *Rmb*	2005 (Accumulated) *Rmb*
Income tax of the Company	—	11,143,669.62
Income tax of subsidiaries	2,224,095.20	1,979,954.15
	2,224,095.20	13,123,623.77

40. NET PROFIT AFTER EXTRAORDINARY ITEMS

	2006 (Accumulated) *Rmb*	2005 (Accumulated) *Rmb*
Net profit (loss)	(87,894,795.85)	48,790,356.05
Add/less: extraordinary items		
— Income (loss) from disposal of non-current assets	(1,042,396.06)	(4,569,334.20)
— Other non-operating income chargeable	(1,959,770.64)	(9,855,850.87)
— Other non-operating cost chargeable	1,712,963.13	339,347.84
— Reversal of provision for impairment for previous years	(5,230,386.04)	(4,681,748.53)
Impact from income tax on extraordinary items	193,380.54	2,112,547.81
Impact from minority interest on extraordinary items	342,528.62	1,266,895.87
Net profit (loss) after extraordinary items	(93,878,476.30)	33,402,213.97

41. OTHER CASH RECEIVED RELATING TO OPERATING ACTIVITIES

	2006 (Accumulated) *Rmb*	2005 (Accumulated) *Rmb*
Income from relocation compensation	29,000,000.00	—
Rental income	6,542,171.00	7,497,782.76
Interest income	1,036,195.57	1,221,321.03
Others	1,958,145.23	734,543.34
Total	38,536,511.80	9,453,647.13

42. OTHER CASH PAID RELATING TO OPERATING ACTIVITIES

	Closing balance *Rmb*	Opening balance *Rmb*
Agency commission paid	10,480,900.05	9,192,961.78
Payment for trademark fee	6,440,767.26	6,804,076.46
Audit fee	2,198,889.30	1,813,194.30
Installation and testing fee	6,536,772.09	5,721,123.52
Warranty costs	3,267,045.50	2,181,988.62
Land use fee	14,000.00	14,000.00
Advertising, promotion and exhibition	11,758,684.32	6,808,656.62
Transportation fee and trip expenses	12,787,923.72	10,064,469.16
Business and meeting fee	5,861,071.61	3,951,547.05
Water and electricity expenses	1,895,551.49	1,789,944.92
Business reception expenses	2,669,839.53	3,965,150.73
Others	33,964,792.33	39,058,118.46
	97,876,237.20	91,365,231.62

43. Analysis of cash and cash equivalents

	Closing balance *Rmb*	Opening balance *Rmb*
Bank deposit and withdrawal and cash balance	82,804,512.27	100,860,695.33
Less: restricted bank deposit and withdrawal *(refer to note 5)*	6,701,674.54	—
Cash Balance	76,102,837.73	100,860,695.33

44. SEGMENT INFORMATION

As over 90% of the Company's revenue and results are derived from the manufacture and sale of printing machines in the Mainland China, no segmental analysis of financial information is presented.

45. CONNECTED TRANSACTIONS

(1) Connected parties that have controlling relationship, except subsidiaries as mentioned in note 4

Name of connected party	Place of: registration	Main Business	Relations with the Company	Type of corporation	Legal representative
Beiren Group Corporation	Beijing Chaoyang District	Manufacturing and sales of printing machines, packing machines, machine beds and parts and components of such machines; technology development and consultation, services, provision of import services related to the production of enterprises within the Group and sub-contracting work of printing machinery project in overseas and international tendering project within the PRC	Controlling shareholder	Stated-owned company	Wang Guohua

After the Share Segregation Reform, the shares in the Company held by Beiren Group Corporation decreased to Rmb222,640,000.00 from Rmb250,000,000.00 at the end of 2005. Accordingly, its shareholding in the total share capital of the Company reduced to 52.76% from 59.24% at the end of 2005.

(2) Changes in registered capital of connected parties with controlling relationship (save for the subisidiares set out in Note 4)

Name of connected party	Closing balance and opening balance
Beiren Group Corporation	Rmb200,266,000.00

45. CONNECTED TRANSACTIONS *(Continued)*

(3) Relations with connected parties that have no controlling relationship

Name of connected party	Relations with the Company
Beijing Yan Long Import and Export Company	Fellow subsidiary of the controlling shareholder
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	Associated Company
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	Associated Company
Beijing Monigraf Automatic Systems Company Limited	Associated Company
Beijing Beiying Printing and Casting Company Limited	Associated Company
Mitsubishi Beiren	Associated Company

(4) The Company had the following significant connected transactions with the above connected parties

(a) Sales and purchases

Details of sales and purchases with connected parties are as follows:

	2006 (Accumulated) ***Rmb***	**2005 (Accumulated)** ***Rmb***
Sales		
Revenue from sales of printing machinery		
— Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	18,384,829.06	29,788,333.33
— Beiren Group Corporation	11,821,381.10	15,643,636.27
— Liaoning Beiren Printing Machinery Operation and Sale Company Limited	4,778,119.66	25,566,965.81
— Beijing Yan Long Import and Export Company	1,163,504.27	974,358.97
	36,147,834.09	71,973,294.38
Revenue from sales of materials		
— Mitsubishi Beiren	420,933.59	—
Purchase		
Expense for purchases of materials		
— Beijing Bei Ying Printing and Casting Company Limited	32,085,029.69	35,981,879.13
— Beijing Monigraf Automatic Systems Company Limited	14,222,598.20	24,749,287.89
— Beiren Group Corporation	4,940,312.43	3,323,604.47
— Beijing Yan Long Import and Export Company	—	12,240.00
	51,247,940.32	64,067,011.49
Expenditure for purchase of printing machines		
— Beiren Group Corporation	11,663,247.86	12,640,170.95
— Mitsubishi Beiren	8,604,837.93	—
	20,268,085.79	12,640,170.95

Pricing of transactions with the above connected parties are based on agreed prices.

45. CONNECTED TRANSACTIONS *(Continued)*

(4) The Company had the following significant connected transactions with the above connected parties *(Continued)*

(b) Guarantee

As at 31 December 2006, Beiren Group Corporation provided a guarantee of Rmb25,000,000.00 for the short term loan of the Company.

(c) Others

	2006 (Accumulated) ***Rmb***	**2005 (Accumulated)** ***Rmb***
Sales commission paid		
— Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	596,837.75	—
— Liaoning Beiren Printing Machinery Operation and Sale Company Limited	524,031.89	—
	1,120,869.64	—
Land use fee paid *(note 1)*		
— Beiren Group Corporation	850,121.48	850,121.48
Trademark fee paid *(note 2)*		
— Beiren Group Corporation	6,440,767.26	6,804,076.46
Rental income		
— Beijing Beiying Casting Company Limited *(note 3)*	4,151,681.39	4,030,529.23
— Mitsubishi Beiren *(note 4)*	829,988.00	—
— Beijing Monigraf Automatic Control System Limited *(note 5)*	100,000.00	100,000.00
	5,081,669.39	4,130,529.23

Notes:

1. On 18 April 1994, the Company entered into an agreement with Beiren Group Corporation, pursuant to which Beiren Group Corporation agreed to lease the Company's production palnts, roads and relevant equipment at No. 44 Guangqu Road South, Chaoyang District, Beijing for a term of 50 years commencing from 1 January 1993 at an annual use fee of Rmb2,000,000.00. Due to the Company's removal in 2003, certain production plants, roads and relevant equipment could no longer be used. Accordingly, Beiren Group Corporation deducted certain land use fees, resulting in an actual fees paid to the Company amounting to Rmb850,121.48 since 2003.

2. On 14 July 1993, the Company and Beiren Group Corporation entered into an agreement, pusuant to which the Company could have the right to use "Beiren" brand name for a consideration of the higher of 1% of sales revenue of good sold under "Beiren" brand name during that year, and Rmb15,000.00 per quarter.

3. The Company signed a plant leasing agreement on 1 January 2005, pursuant which the Company leased a plant originally valued at Rmb75,792,655.87 to Beijing Bei Ying Printing and Casting Company Limited. Beijing Bei Ying Printing and Casting Company Limited paid a rent of Rmb4,151,681.39 to the Company during the year. The lease agreement will be expired on 31 March 2007.

4. The Company signed a plant leasing agreement in June 2006, pursuant to which the Company leased a plant originally valued at Rmb5,674,099.04 to Mitsubishi Beiren for a term to be expired on 30 June 2015, for a rent of Rmb1,614,036.00 per year.

5. The Company signed a plant leasing agreement in December 2001, pursuant to which the Company leased a plant originally valued at Rmb1,229,794.51 to Beijing Monigraf Automatic Systems Company Limited for a term to be expired on 30 June 2007, for a rent of Rmb100,000.00 per year.

45. CONNECTED TRANSACTIONS *(Continued)*

(4) The Company had the following significant connected transactions with the above connected parties *(Continued)*

(d) Current accounts with connected parties

Item	Name of connected party	Closing balance *Rmb*	Opening balance *Rmb*
Accounts receivable	Liaoning Beiren Printing Machinery Operation and Sales Company Limited	18,426,100.00	25,240,818.88
	Beijing Beiren Hengtong Printing Machinery Operation and Sales Company Limited	11,352,005.36	9,129,730.00
	Beiren Group Corporation	910,000.00	10,248,370.00
		30,688,105.36	44,618,918.88
Other receivables	Beijing Beiying Printing and Casting Company Limited	—	2,973,132.50
	Beijing Monigraf Automatic Systems Company Limited	100,000.00	—
		100,000.00	2,973,132.50
Prepayment	Beijing Monigraf Automatic Systems Company Limited	26,600.00	—
	Beiren Group Corporation	—	490,000.00
		26,600.00	490,000.00
Bills payable	Beiren Group Corporation	—	500,000.00
	Beijing Beiying Printing and Casting Company Limited	—	1,500,000.00
		—	2,000,000.00
Accounts payable	Beiren Group Corporation	5,564,997.38	1,031,080.00
	Beijing Yan Long Import and Export Company	12,240.00	12,240.00
	Beijing Monigraf Automatic Systems Company Limited	2,656,512.04	—
	Beijing Bei Ying Printing and Casting Company Limited	8,287,916.52	—
	Mitsubishi Beiren	9,577,437.51	—
		26,099,103.45	1,043,320.00
Other receivables	Beiren Group Corporation	14,996,324.25	20,460,112.16
	Beiren Tai He	10,931,965.05	10,931,965.05
	Liaoning Beiren Printing Machinery Operation and Sales Company Limited	233,100.00	—
		26,161,389.30	31,392,077.21

The above mentioned amounts have no fixed repayment schedule, and are free of interest, pledge or guarantee.

(e) Remuneration to major management

	2006 (Accumulated) *Rmb*	2005 (Accumulated) *Rmb*
Remuneration to major management members	1,633,645.00	1,443,791.64

46. CONTINGENT EVENTS

As at the balance sheet date, there was no significant contingent event that needs to be disclosed by the Company.

47. COMMITMENTS

(1) Capital commitments

	Closing balance *Rmb'000*	Opening balance *Rmb'000*
Contracted but not executed for purchase of assets	7,812	10,044

(2) Lease Commitments

As at the balance sheet date, irrevocable operating leases entered into with external parties are as follows:

	Closing balance *Rmb'000*	Opening balance *Rmb'000*
Minimum rental payment for irrevocable operating leases:		
Within 1 year after the balance sheet date	1,228	1,248
In the second year after the balance sheet date	288	846
In the third year after the balance sheet date	288	288
Subsequent years	1,095	1,382
Total	2,899	3,764

48. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

(1) Bills receivable

	Closing balance *Rmb'000*	Opening balance *Rmb'000*
Banker's acceptance	4,709,178.28	10,989,834.60

Bills receivable are not pledged at the end of the year.

There was no receivable from shareholders who hold 5% ore more of the share capital of the Company.

(2) Accounts receivable

The ageing analysis of accounts receivable is as follows:

	Closing balance				Opening balance			
	Amount *Rmb*	Percentage *(%)*	Provision for Bad Debt *Rmb*	Net amount *Rmb*	Amount *Rmb*	Percentage *(%)*	Provision for Bad Debt *Rmb*	Net amount *Rmb*
Within 1 year	233,823,231.51	68.51	—	233,823,231.51	273,160,595.35	82.30	—	273,160,595.35
1-2 years	68,565,764.59	20.09	15,946,765.85	52,618,998.74	35,657,972.20	10.74	10,609,791.66	25,048,180.54
2-3 years	18,556,412.30	5.44	11,133,847.38	7,422,564.92	13,729,639.00	4.14	8,237,783.40	5,491,855.60
More than 3 years	20,326,092.01	5.96	20,326,092.01	—	9,370,318.01	2.82	9,370,318.01	—
Total	341,271,500.41	100.00	47,406,705.24	293,864,795.17	331,918,524.56	100.00	28,217,893.07	303,700,631.49

The five largest accounts receivable are as follows:

Total amount of the five largest accounts receivable *Rmb*	Percentage of the total value of the accounts receivable *%*
72,068,105.36	21.12

48. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY *(Continued)*

(2) Accounts receivable *(Continued)*

Accounts receivable from shareholders who hold 5% or more of the share capital of the Company are as follows:

Name of shareholder	Closing balance Rmb	Opening balance Rmb
Beiren Group Corporation	910,000.00	10,170,370.00

(3) Other receivables

The ageing analysis of other receivables is as follows:

	Closing balance				Opening balance			
	Amount *Rmb*	Percentage *(%)*	Provision for Bad Debt *Rmb*	Net amount *Rmb*	Amount *Rmb*	Percentage *(%)*	Provision for Bad Debt *Rmb*	Net amount *Rmb*
Within 1 year	3,608,302.34	8.82	—	3,608,302.34	6,738,817.95	13.52	—	6,738,817.95
1-2 years	1,727,856.57	4.22	—	1,727,856.57	666,453.77	1.34	—	666,453.77
2-3 years	645,323.62	1.58	—	645,323.62	670,000.00	1.34	—	670,000.00
More than 3 years	34,943,877.87	85.38	19,544,406.83	15,399,471.04	41,779,967.87	83.80	23,651,996.83	18,127,971.04
Total	40,925,360.40	100.00	19,544,406.83	21,380,953.57	49,855,239.59	100.00	23,651,996.83	26,203,242.76

The five largest other receivables are as follows:

Total amount of the five largest other receivables *Rmb*	Percentage of the total value of other receivables *%*
36,380,072.50	88.89

The balance of the other receivables comprises no amount due from shareholders who hold 5% or more of the Company's shares.

(4) Provision for Bad Debt

	Opening balance *Rmb*	Provision in the year *Rmb*	Other transfer out in the year *Rmb*	Reversal in the year *Rmb*	Closing balance *Rmb*
Accounts receivable	28,217,893.07	19,188,812.17	—	—	47,406,705.24
Other receivables	23,651,996.83	1,500,000.00	(1,101,500.00)	(4,506,090.00)	19,544,406.83
Total	51,869,889.90	20,688,812.17	(1,101,500.00)	(4,506,090.00)	66,951,112.07

48. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY *(Continued)*

(5) Prepayment

The ageing analysis of prepayment is as follows:

	Closing balance *Rmb*	*%*	Opening balance *Rmb*	*%*
Within 1 year	5,336,035.44	100.00	8,466,445.94	98.83
1-2 years	—	—	—	
2-3 years	—	—	100,000.00	1.17
	5,336,035.44	100.00	8,566,445.94	100.00

Prepayment due from shareholders who hold 5% or more of the share capital of the Company is as follows:

	Closing balance *Rmb*	Opening balance *Rmb*
Beiren Group Corporation	—	490,000.00

(6) Inventories and provision for impairment in value of inventories

	Closing balance			Opening balance		
	Amount *Rmb*	Provision for diminution in value *Rmb*	Net balance *Rmb*	Amount *Rmb*	Provision for diminution in value *Rmb*	Net balance *Rmb*
Raw materials	42,432,579.73	1,759,853.66	40,672,726.07	27,995,701.84	1,759,853.66	26,235,848.18
Work in progress	252,213,596.50	28,668,595.01	223,545,001.49	269,392,606.75	5,230,957.86	264,161,648.89
Finished goods	299,005,703.35	51,299,649.57	247,706,053.78	253,907,785.05	33,554,226.45	220,353,558.60
Semi-finished goods	10,784,761.90	—	10,784,761.90	18,345,453.77	—	18,345,453.77
Total	604,436,641.48	81,728,098.24	522,708,543.24	569,641,547.41	40,545,037.97	529,096,509.44

Movement in the provision for impairment in value of inventories is as follows:

	Opening balance *Rmb*	Provision in the year *Rmb*	Other transfer out the year *Rmb*	Closing balance *Rmb*
Provision for impairment in value of inventories				
Raw materials	1,759,853.66	—	—	1,759,853.66
Work in progress	5,230,957.86	26,521,680.49	(3,084,043.34)	28,668,595.01
Finished goods	33,554,226.45	25,972,375.98	(8,226,952.86)	51,299,649.57
Total	40,545,037.97	52,494,056.47	(11,310,996.20)	81,728,098.24

48. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY *(Continued)*

(7) Long term equity investment

	Closing balance *Rmb*	Opening balance *Rmb*
Investment in subsidiaries included in the scope of consolidation	195,199,868.12	198,177,859.19
Investment in subsidiaries not included in the scope of consolidation	5,313,234.53	6,381,720.02
Investment in associated companies	31,804,144.61	11,988,216.99
Difference in equity investment	2,022,733.03	2,249,581.59
Total	234,339,980.29	218,797,377.79
Less: provision for impairment of long term equity investment	2,022,733.03	—
Long term equity investment, net	232,317,247.26	218,797,377.79

Changes in provision for impairment of long term equity investment are as follows:

	Rmb
Opening Balance	—
Opening balance Addition for the period	2,022,733.03
Closing Balance	2,022,733.03

Name of investee company	Initial investment *Rmb*	Share of registered capital in investee *%*	Increase/ decrease in equity interest in investee *Rmb*	Provision for equity investment *Rmb*	Dividend receivable *Rmb*	Accumulated increase/ decrease *Rmb*	Provision for impairment *Rmb*	Closing book value *Rmb*
Subsidiaries included in the scope of consolidation								
Beiren Fuji	29,632,699.26	70.00	1,552,585.55	345,246.16	—	7,148,886.97	—	36,781,586.23
Beijing Beiren Jing Yan Printing Machinery Sales Limited	20,972,023.06	99.76	(268,293.29)	—	—	(3,873,927.19)	—	17,098,095.87
Hebei Beiren Paper Feeder Company Limited	2,534,000.00	50.68	(332,705.60)	—	—	(460,569.26)	—	2,073,430.74
Haimen Beiren	31,911,194.70	68.33	(3,098,638.54)	1,660,145.69	—	(16,247,228.79)	—	15,663,965.91
Sheenlite Limited	3.51	100.00	—	—	—	(3.51)	—	—
Beijing Beiren Yuxin Plastic Printing Company Limited	15,400,000.00	68.66	(445,175.64)	—	—	1,698,567.27	—	17,098,567.27
Shaanxi Beiren Printing Machinery Company Limited	98,968,505.71	86.24	(2,439,519.08)	—	—	6,569,564.50	—	105,538,070.21
Zhejiang Beiren Printing Machinery Operation	825,000.00	55.00	(229,879.62)	—	—	(157,091.41)	—	667,908.59
Hubei Beiren Printing Machinery Operation and Sale Company Limited	765,000.00	51.00	(573,349.99)	—	—	(486,756.70)	—	278,243.30
	201,008,426.24		(5,834,976.21)	2,005,391.85	—	(5,808,558.12)	—	195,199,868.12
Subsidiaries not included in the scope of consolidation								
Beiren Tai He	2,500,000.00	62.50	(37,972.83)	—	—	2,813,234.53	—	5,313,234.53
	2,500,000.00		(37,972.83)	—	—	2,813,234.53	—	5,313,234.53

48. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY *(Continued)*

(7) Long term equity investment *(Continued)*

Name of investee company	Initial investment Rmb	Share of registered capital in investee %	Increase/ decrease in equity interest in investee Rmb	Provision for equity investment Rmb	Dividend receivable Rmb	Accumulated increase/ decrease Rmb	Provision for impairment Rmb	Closing book value Rmb
Associated Companies								
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	900,000.00	45.00	(233,176.99)	—	—	(310,514.65)	—	589,485.35
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	343,000.00	49.00	(481,485.54)	—	—	(150,284.96)	—	192,715.04
Beijing Beiying Casting Company Limited	1,136,000.00	20.00	1,273,184.62	—	(227,200.00)	3,034,136.91	—	4,170,136.91
Beijing Monigraf Automatic Systems Company Limited	3,675,000.00	49.00	534,161.82	—	—	4,226,363.60	—	7,901,363.60
Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited	22,540,000.00	49.00	(3,740,340.07)	150,783.78	—	(3,589,556.29)	—	18,950,443.71
	28,594,000.00		(2,647,656.16)	150,783.78	(227,200.00)	3,210,144.61	—	31,804,144.61
	232,102,426.24		(8,520,605.20)	2,156,175.63	(227,200.00)	214,821.02	—	232,317,247.26

(8) Principal operating income /costs

	2006 (Accumulated) Revenue Rmb	2006 (Accumulated) Cost Rmb	2005 (Accumulated) Revenue Rmb	2005 (Accumulated) Cost Rmb
Local sales				
Sheet-fed offset printing presses	417,140,498.99	378,006,623.59	400,829,771.76	312,433,956.45
Web-fed offset printing presses	220,449,572.98	140,291,941.05	264,661,239.18	173,668,763.09
Spare parts	4,345,984.95	3,695,717.73	9,883,667.73	8,781,606.06
Other	1,530,223.71	993,098.44	2,289,751.87	1,537,037.37
	643,466,280.63	522,987,380.81	677,664,430.54	496,421,362.97
Export sales				
Sales of printing machines	11,180,620.75	8,845,771.83	29,447,731.93	13,812,672.13
	11,180,620.75	8,845,771.83	29,447,731.93	13,812,672.13
Total	654,646,901.38	531,833,152.64	707,112,162.47	510,234,035.10

48. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY *(Continued)*

(9) INVESTMENT INCOME

	2006 (Accumulated) *Rmb*	2005 (Accumulated) *Rmb*
Long term investment income		
Income recognized using equity method	(8,520,605.20)	9,715,955.00
Income /(Loss) on disposal of long term equity investment	(132,874.58)	2,185.16
Amortisation on the differences of equity investment	(226,848.56)	(18,904.05)
Impairment loss of long term equity investment	(2,022,733.03)	1,768,506.36
	(10,903,061.37)	11,467,742.47

49. UNADJUSTED EVENTS POST BALANCE SHEET DATE

First adoption of Accounting Standards for Business Enterprises

In accordance with the requirements of No.33 order and the Circular Cai Kuai [2006] No.3 on °ß38 Specific Standards including “Accounting Standards for Enterprises No.1-Inventory-issued by the Ministry of Finance, the Company adopted the new Accounting Standards for Enterprises from 1 January 2007 and adjusted accordingly its balance sheet as at 1 January 2007 pursuant to the “Accounting Standards for Business Enterprises No. 38 - First time adoption of Accounting Standards for Business Enterprises”. Pursuant to the new Accounting Standards for Business Enterprises, the Company has made appropriate accounting policies and accounting estimates with reference to the actual circumstances of the Company, which have been approved by the Board. As the supplementary information of the financial statement, a Reconciliation Statement on Difference in Shareholders’ Interests Under the New and Old Accounting Standards was prepared by the Company to reflect the impact on shareholder’s interests as at 1 January 2007 arising from the change in accounting policies due to the adoption of the new accounting standards.

Consolidated tax rate

The Enterprise Income Tax Law of the People’s Republic of China (“the new Income Tax Law”) has been promulgated by Order of the President No.63 on 16 March 2007 and shall come into force with effect from 1 January 2008. The Company and its subsidiaries will pay their enterprise income taxes in accordance with the new Income Tax Law by then.

50. Other Significant Events

As at 1 January 2006, Beiren Group Corporation, the controlling shareholder of the Company, held 250,000,000 shares of the Company, representing 59.24% of the Company’s total share capital. In accordance with the related measures of the state on Share Segregation Reform, the Company implemented segregation to its non-circulating shares. The Share Segregation Reform of the Company has been completed. Pursuant to the Notice of Implementation of Share Segregation Reform in Beiren Printing Machinery Holdings Limited, 3.8 shares were allocated to shareholder of circulating shares for every 10 shares held by them. The record date of A shares for the Share Segregation Reform was 29 March 2006.

After the implementation of above reform, shares subject to trading moratorium held by Beiren Group Corporation were 222,640,000 shares. The expiration date of trading moratorium is 31 March 2007. Beiren Group Corporation undertook the trading moratorium that it will not trade in or transfer its previously held non-circulating shares within the twelve months following completion of the Share Merger Reform Plan; that upon expiry of the above undertaking, it will not dispose its previously held non-circulating shares through trading sysetm of stock exchange representing 5% or more of the total shares within twelve months, or 10% or more within twenty four months; and that the selling price through trading system of stock exchange shall not fall below 110% of the average weighted A share price for the 30 trading days immediately before announcement of the Share Merger Reform Plan (i.e., Rmb4.29/share) during the above mentioned trading moratorium.

51. APPROVAL OF FINANCIAL STATEMENTS

The Company’s and the Group’s financial statements were approved by the Board of the Company on 24 April 2007.

1. DIFFERENCES BETWEEN ACCOUNTS IN THE FINANCIAL STATEMENT PREPARED UNDER PRC ACCOUNTING STANDARDS AND HONG KONG ACCOUNTING STANDARDS:

Under PRC accounting standards, the Company recorded net loss of Rmb87,895,000 for the year ended 31 December 2006 and net assets of Rmb1,165,311,000 as at 31 December 2006 and main differences from net profit and net assets prepared under Hong Kong accounting standards are as follows:

	Net profit *Rmb'000*	Owner's right *Rmb'000*
Prepared under PRC accounting standards	(87,895)	1,165,311
Adjustments made to conform with accounting principles generally accepted in Hong Kong		
Difference in valuation of net assets contributed to theCompany by Beiren Group Corporation	—	(60,198)
Consequential adjustment on net assets contributed to the Company by Beiren Group Corporation	66	48,277
Difference in valuation of capital contributed to subsidiaries	31	(259)
Difference in recognition of deferred tax	(15,122)	4,562
Recognition of goodwill upon acquisition of a subsidiary	—	4,479
Amortisation of goodwill upon acquisition of a subsidiary		(1,344)
Liabilities unpayable	2,005	—
Compensation for dismissal	(17,012)	(17,012)
Difference in profit / loss arising from minority interest recognition	(749)	50,280
Others	(1,867)	(1,142)
Prepared under Hong Kong accounting standards	(120,543)	1,192,954

2. Returns on net assets and earnings per share on fully diluted basis and weighted average basis

Profit for the reporting period	Returns on net assets (%) Fully diluted 2006	2005	Weighted average 2006	2005	Earnings per share (Rmb/share) Fully diluted 2006 *Rmb*	2005 *Rmb*	Weighted average 2006 *Rmb*	2005 *Rmb*
Principal operating profit	17.04	20.39	16.26	20.60	0.47	0.62	0.47	0.62
Operating profit	(7.56)	3.00	(7.21)	3.03	(0.21)	0.09	(0.21)	0.09
Net profit	(7.54)	3.81	(7.19)	3.85	(0.21)	0.12	(0.21)	0.12
Net profit after extraordinary items	(8.06)	2.61	(7.68)	2.64	(0.22)	0.08	(0.22)	0.08

3. ANALYSIS OF PROVISION FOR DIMINUTION IN VALUE AS AT 31 DECEMBER 2006

Item	1.1.2006		Increase in the year		Written-off in the year		Reversal in the year		31.12.2006	
	Group	Company	Group	Company	Group	Company	Group	Company	Group	Company
Provision for bad debts	58,753,901.59	51,869,889.90	23,689,545.52	20,688,812.17	2,372,938.17	1,101,500.00	1,730,386.04	4,506,090.00	78,340,122.90	66,951,112.07
Including:										
Accounts receivable	39,841,991.68	28,217,893.07	22,189,545.52	19,188,812.17	443,831.50	—	724,296.04	—	60,863,409.66	47,406,705.24
Other receivables	18,911,909.91	23,651,996.83	1,500,000.00	1,500,000.00	1,929,106.67	1,101,500.00	1,006,090.00	4,506,090.00	17,476,713.24	19,544,406.83
Provision for diminution in value of inventories	49,191,554.79	40,545,037.97	56,557,291.40	52,494,056.47	11,466,568.28	11,310,996.20	—	—	94,282,277.91	81,728,098.24
including:										
Raw materials	1,977,640.41	1,759,853.66	—	—	—	—	—	—	1,977,640.41	1,759,853.66
Finished goods	37,418,168.60	33,554,226.45	25,387,939.95	25,972,375.98	8,382,524.94	8,226,952.86	—	—	54,423,583.61	51,299,649.57
Work in progress	9,795,745.78	5,230,957.86	31,169,351.45	26,521,680.49	3,084,043.34	3,084,043.34	—	—	37,881,053.89	28,668,595.01
Provision for diminution in value of long term investments	100,000.00	—	1,106,334.60	2,022,733.03	50,000.00	—	—	—	1,156,334.60	2,022,733.03
including:										
Long term equity investment	100,000.00	—	1,106,334.60	2,022,733.03	50,000.00	—	—	—	1,156,334.60	2,022,733.03
Long term investment in debt	—	—	—	—	—	—	—	—	—	—
Provision for diminution in value of fixed assets	30,258,656.35	23,758,656.35	213,571.00	—	2,253,032.77	2,253,032.77	3,500,000.00	—	24,719,194.58	21,505,623.58
including:										
Plant and machinery	23,758,656.35	23,758,656.35	—	—	2,253,032.77	2,253,032.77	—	—	21,505,623.58	21,505,623.58
Construction	6,500,000.00	—	—	—	—	—	3,500,000.00	—	3,000,000.00	—
Transportation vehicles	—	—	213,571.00	—	—	—	—	—	213,571.00	—
Provision for diminution in value of intangible assets	—	—	—	—	—	—	—	—	—	—
Provision for diminution in value of construction in progress	1,165,827.82	—	—	—	—	—	—	—	1,165,827.82	—
Total	139,469,940.55	116,173,584.22	81,566,742.52	75,205,601.67	16,142,539.22	14,665,528.97	5,230,386.04	4,506,090.00	199,663,757.81	172,207,566.92

4. ITEMS IN THE FINANCIAL STATEMENTS WITH CHANGES OF 30% OR MORE OR REPRESENTING 5% OR MORE OF THE COMPANY'S TOTAL ASSETS AS AT THE BALANCE SHEET DATE, OR 10% OR MORE OF THE PROFIT FOR THE REPORTING PERIOD ARE AS FOLLOWS:

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.