



# 北人印刷機械股份有限公司 2006 年度報告摘要

# BEIREN PRINTING MACHINERY HOLDINGS LIMITED 2006 ANNUAL REPORT SUMMARY

(a joint stock limited company established in the People's Republic of China)

(Stock Code: 187)

## 1. IMPORTANT NOTES

**1.1** The board of directors (the “Board”), the Supervisory Committee and the directors (the “Directors”), supervisors and senior management of Beiren Printing Machinery Holdings Limited (the “Company”) warrant that there are no false representations or misleading statements contained in or material omission from this summary and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the contents herein contained.

This summary is extracted from the 2006 Annual Report of the Company (the “2006 Annual Report”), the full text of which is published at <http://www.sse.com.cn> and the website of Hong Kong Stock Exchange [www.hkex.com.hk](http://www.hkex.com.hk) concurrently. Investors are advised to read the full text of the 2006 Annual Report for detailed information.

**1.2** 10 out of 11 eligible directors of the Company attended the board meetings as director Zhu Wuan did not attend the meeting due to the business engagement, and appointed Chairman Wang Guohua to exercise his voting rights on his behalf.

**1.3** Deloitte Touche Tohmatsu Certified Public Accountants and Deloitte Touche Tohmatsu Certified Public Accountants of Hong Kong issued standard unqualified auditors' report for the Company respectively according to PRC GAAP and Hong Kong Accounting Standards and Hong Kong Company Law.

**1.4** Mr. Wang Guohua, the General Manager, Mr. Zhang Peiwu, Financial Controller, and Mr. Jiang Jianming, Financial Manager (the Chief Accountant), have declared that they guarantee the truthfulness and completeness of the financial statements contained in the annual report.

## 2. BASIC INFORMATION OF THE COMPANY

### 2.1 Basic information

Short form of A shares	北人股份
Stock code of A shares	600860
Place for listing of the shares	Shanghai Stock Exchange
Short form of H shares	Beiren Printing
Stock code of H share	187
Place for listing of the shares	The Stock Exchange of Hong Kong Limited
Registered address and office address:	No. 6 Rong Chang Dong Street, Economic and Technological Development Zone, Beijing, the PRC
Postal code	100176
Website	<a href="http://www.beirengf.com">http://www.beirengf.com</a>
Email address	<a href="mailto:beirengf@beirengf.com">beirengf@beirengf.com</a>

### 2.2 Contact person and method

	Secretary to the board of directors	Representative in charge of securities affairs
Name	Jiao Ruifang	Lu Ruiping
Correspondence address	No. 6 Rong Chang Dong Street, Economic and Technological Development Zone, Beijing, the PRC	No. 6 Rong Chang Dong Street, Economic and Technological Development Zone, Beijing, the PRC
Telephone number	010-67802690	010-67802565
Facsimile number	010-67802570	010-67802570
Email address	<a href="mailto:beirengf@beirengf.com">beirengf@beirengf.com</a>	<a href="mailto:beirengf@beirengf.com">beirengf@beirengf.com</a>

## 3. ACCOUNTING DATA AND FINANCIAL INDICATOR HIGHLIGHTS

### 3.1 Principal accounting data (prepared under the PRC accounting standards)

Unit: Rmb				
Principal accounting data	2006	2005	Percentage increase/decrease (comparison between this year and last year) (%)	2004
Principal operating income	961,584,242.44	995,386,645.38	-3.40	1,121,219,426.19
Total profit	-87,257,826.20	61,509,113.95	-241.86	118,507,506.15
Net profit	-87,894,795.85	48,790,356.05	-280.15	95,903,999.16
Net profit after extraordinary items	-93,878,476.30	33,402,213.97	-381.05	94,312,189.58
Net cash flow from operating activities	35,321,461.11	-31,354,369.58	-212.65	40,321,639.30
Unit: Rmb				
Principal accounting data	2006	2005	Percentage increase/decrease (comparison between this year and last year) (%)	2004
Total assets	2,132,913,615.40	2,127,384,112.13	0.26	2,019,421,955.06
Shareholders' interests (exclusive of minority interests)	1,165,310,630.15	1,280,500,032.83	-9.00	1,265,422,331.87

### 3.2 Principal financial indicators (prepared under the PRC accounting standards)

Unit: Rmb				
Principal financial indicators	2006	2005	Percentage increase/decrease (comparison between this year and last year) (%)	2004
Earnings per share	-0.21	0.12	-275.00	0.23
Latest earning per share				
Return on net assets (%)	-7.54	3.81	Decrease 11.35 percentage points	7.58
Return on net assets after extraordinary items (%)	-8.06	2.61	Decrease 10.67 percentage points	7.36
Net cash flow per share from operating activities	0.08	-0.07	214.29	0.10
Unit: Rmb				
Principal accounting data	2006	2005	Percentage increase/decrease (comparison between this year and last year) (%)	2004
Net asset per share	2.76	3.03	-8.91	3.00
Net asset per share after Adjustment	2.72	2.98	-8.72	2.96

#### Deducting extraordinary items

☒ Applicable ☐ Not Applicable

#### Extraordinary items

Unit: Rmb		Amounts
Profit (loss) from disposal of long-term equity investments, fixed assets, construction in progress, intangible assets and other long-term assets	1,042,396.06	
Other non-operating income and expenditures after deduction of provision of impairment in assets usually made according to the accounting system for business enterprises	246,807.51	
Reversal of provision for impairment for previous years	5,230,386.04	
Other extraordinary items	-342,528.62	
Impact from income tax	-193,380.54	
Total	5,983,680.45	

### 3.3 Consolidated Income Statement

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

Notes		2006 Rmb'000	2005 Rmb'000
Revenue	(1)	966,077	994,192
Cost of sales		(812,694)	(736,606)
Gross profit		153,383	257,586
Other income	(2)	12,650	30,773
Distribution costs		(69,993)	(61,036)
Administrative expenses		(180,395)	(141,526)
Finance costs	(3)	(16,194)	(13,006)
Share of results of associates		(2,648)	4,301
Profit(loss) before taxation		(103,197)	77,092
Income tax expense	(4)	(17,346)	(15,507)
Profit for the year(loss)		(120,543)	61,585
Attributable to:			
Equity holders of the parent		(119,794)	57,553
Minority interests		(749)	4,032
		(120,543)	61,585
Earning(loss) per share — basic	(6)	RMB(28.4) cent	RMB13.6 cent

Revenue represents the net sales for printing machines, spare parts, raw materials and provision of printing services. The Group's revenue analyzed by principal activity is as follows:

(1) Turnover		2006 Rmb'000	2005 Rmb'000
Sales of printing machines		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

### (2) Other income

Other operating income is analyzed 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

### (3) Finance Cost

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

### (4) Income Taxes Expenses

	2006 Rmb'000	2005 Rmb'000
The charge comprises:		
PRC income tax for current year	2,224	15,445
Deferred tax charge	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 (2005:15%). 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%.

- 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 of the Company is applicable for the 15% income tax.
- In accordance with the document Guo Shui Fa (2002) No. 47 dated 10 May 2002 issued by the Ministry of Finance and State Tax Bureau, income tax of the Company's subsidiary, Shanxi Beiren Printing Machinery Company Limited, is applicable for the 15% income tax rate.
- In accordance with the document Jing Guo Shuo Wai Pi Fu(2002) No.1-11 issued by External Affairs Branch of Beijing State Tax Bureau, one of the subsidiaries of the Company, Beijing Beiren Fuji Printing Machinery Company Limited was applicable for the 24% income tax rate starting from 2001. And pursuant to the document Guo Shui Zhi Shui Jian Mian Zhi(2006)No.0002 issued by the Branch Bureau directly under Beijing State Tax Bureau, Beijing Beiren Fuji Printing Machinery Company Limited can reduce its income tax by 50% from 2006 to 2008. Therefore, Beijing Beiren Fuji Printing Machinery Company Limited is taxed at 12%.

### (5) Dividends

	2006 Rmb'000	2005 Rmb'000
Dividends recognised as distributions during the year - Rmb0.07 per share (2005: Rmb0.08 per share)	29,540	33,760

The directors will not propose any dividend distributions for the year.

### (6) Earning Per Share

The calculation of basic earnings(losses) per share attributable to the equity holders of the parent 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.

### 3.4 Differences between the PRC and international accounting standards

☒ Applicable ☐ Not Applicable

Unit: Rmb'000				
Item	Net profit		Shareholders' equity	
	This period	Previous period	Opening	Closing
As reported under the PRC accounting standards	-87,895	48,790	1,280,500	1,165,311
Adjusted under HK GAAP:				
Difference in valuation of net assets contributed to the Company by Beiren Group Corporation	—	—	-60,198	-60,198
Subsequent amortization on net assets contributed by Beiren Group Corporation	66	66	48,211	48,277
Difference in valuation of assets contribution to subsidiaries	31	31	-290	-259



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Differences in valuation of other assets and consequential adjustment	—	6,374	—	—
Differences in recognition of deferred tax assets/ liabilities	-15,122	62	19,684	4,562
Difference in recognition of good will upon acquisition of subsidiaries	—	—	4,479	4,479
Difference in amortization of good will upon acquisition of subsidiaries	—	—	-1,344	-1,344
Difference in the un-payable liabilities recognition	2,005	—	—	—
Difference of staff dismissed recognition	-17,012	—	—	-17,012
Difference in interests presentation of minority interests	-749	4,032	51,029	50,280
Other	-1,867	2,230	726	-1,142
Prepared under HK GAAP	-120,543	61,585	1,342,797	1,192,954

Notes:

During the year, the impact of differences between the PRC and international accounting standards on the net profits of the Company was Rmb32,648,000, the difference was mainly due to the following:

1. Consequential adjustment on net assets contributed by Berien Group Corporation

In accordance with HK GAAP, the land contributed by Beiren Group Corporation into the Company was accounted for as capital reserve. In accordance with PRC accounting standards, the amount was recorded as the increase in long term deferred expenses. Accordingly, the related amortization charge of approximately Rmb66,000 for the year was written back in the accounts by the Company.

2. Difference in valuation of capital contribution to subsidiaries

In accordance with HK GAAP, the intangible assets invested by the Company into the subsidiaries with original cost of Rmb4,624,000 were wrote off in relevant years. In accordance with PRC accounting standards, the intangible assets were stated as assets of the Group. Accordingly, the related amount of amortization of Rmb31,000 for the year was written back in the accounts by the Company.

3. Differences on recognition of deferred tax assets

Adjustment was made to the deferred taxation in relation to the amount of income tax arising from international and domestic accounting standards under the Article 12 (revised) of HK GAAP, which resulted in net profit difference amounted to Rmb15,122,000.

4. Difference on the un-payable liabilities recognition

In accordance with the HK GAAP, the un-payable liabilities of the Company will be booked into the net profit of the period as profit while such liabilities will increase the capital reserve fund under the PRC accounting standards, resulting from which the differences in net profit was Rmb2,005,000.

5. Difference on compensation recognition for dismissal of employees

In accordance with the HK GAAP, the compensation payable by Company to the employees dismissed for the future years is regarded as expenses for this period while such compensation is booked as expenses when it is paid under the PRC accounting standards, resulting from which the differences in net profit was Rmb17,012,000.

4. MOVEMENT OF SHAREHOLDER’S EQUITY AND INFORMATION OF SHAREHOLDERS

4.1 Changes in share capital

Unit: Share

	Before Change		Increase/decrease in this change (+/-)						After Change	
	Number	Percentage (%)	Issue of new shares	Conversion		Others	Sub-total		Number	Percentage (%)
				Bonus issue	From reserves					
I. Shares subject to trading moratorium										
1. State-owned shares										
2. State-owned legal person shares	250,000,000	59.24	—	(27,360,000)	—	—	(27,360,000)		222,640,000	52.76
3. Other domestic shares										
including:										
Domestic legal person shares	—	—	—	—	—	—	—	—	—	—
Domestic public shares	—	—	—	—	—	—	—	—	—	—
4. Foreigns shares										
Including:	:									
Overseas legal person shares	—	—	—	—	—	—	—	—	—	—
Overseas public shares	—	—	—	—	—	—	—	—	—	—
Total shares subject to trading moratorium	250,000,000	59.24	—	(27,360,000)	—	—	(27,360,000)		222,640,000	52.76
II. Circulating shares not subject to trading moratorium										
1. Renminbi ordinary shares	72,000,000	17.06	—	27,360,000	—	—	27,360,000		99,360,000	23.54
2. Foreigns shares listed domestically										
3. Foreigns shares listed overseas	100,000,000	23.70	—	—	—	—	—		100,000,000	23.70
4. Others										
Total shares not subject to trading moratorium	172,000,000	40.76	—	27,360,000	—	—	27,360,000		199,360,000	47.24
III. Total shares	422,000,000	100	—	—	—	—	—		422,000,000	100

4.2 Number of shareholders and their shareholding

Unit: Share

Total number of shareholders at the end of the reporting period 34,430

Particulars of top ten shareholders

Name of shareholder	Nature of shareholder	Percentage to share capital (%)	Number of shares held	Number of Shares subject to trading moratorium	Number of shares pledged or frozen
Beiren Group Corporation	State-owned shareholder	52.76	222,640,000	222,640,000	
HKSCC NOMINEES LIMITED	Foreign shareholder	23.14	97,665,199	0	Unknown
HSBC NOMINEES (HONG KONG) LIMITED	Foreign shareholder	0.17	702,000	0	Unknown
劉昔嫻	Unknown	0.16	685,319	0	Unknown
劉克夫	Unknown	0.15	618,926	0	Unknown
翟軍	Unknown	0.12	517,400	0	Unknown
HUI KAU YU	Foreign shareholder	0.09	400,000	0	Unknown
朱子允	Unknown	0.09	400,000	0	Unknown
劉媛月	Unknown	0.09	392,588	0	Unknown
李桂蘭	Unknown	0.08	340,000	0	Unknown

Particulars of top 10 holders of shares not subject to trading moratorium

Name of shareholder	Number of circulating shares held	Class of shares
HKSCC NOMINEES LIMITED	97,665,199	Foreign shares
HSBC NOMINEES (HONG KONG) LIMITED	702,000	Listed overseas Foreign shares
劉昔嫻	685,319	Foreign shares listed overseas
劉克夫	618,926	Renminbi ordinary shares
翟軍	517,400	Renminbi ordinary shares
HUI KAU YU	400,000	Renminbi ordinary shares
朱子允	400,000	Foreign shares listed overseas
劉媛月	392,588	Renminbi ordinary shares
李桂蘭	340,000	Renminbi ordinary shares
餘少東	313,245	Renminbi ordinary shares

The explanation of the connected relation and action in concert among the aforesaid shareholders

The Company is not aware of any connected relationship among the top ten holder of circulating shares, nor the Company is aware of any parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders.

The Company is not aware of any connected relationship between the top ten holder of circulating shares and the top ten shareholders, nor the Company is aware of any parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders.

4.3 Controlling shareholder and beneficial controller

4.3.1 Changes in status of controlling shareholder and beneficial controller

☐ Applicable ☒ Not Applicable

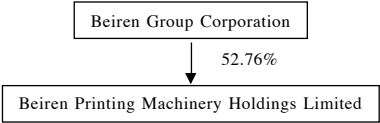
4.3.2 Information of controlling shareholder and beneficial controller

(1) Information of controlling shareholder

Name of controlling shareholder: Beiren Group Corporation  
Legal representative: Wang Guohua  
Registered capital: Rmb200,266,000  
Date of incorporation: 16 July 1992

Principle operating or managing activities: Manufacturing and sales of printing presses, packing machines, pressing machines and related products and components, technical development, technical consultancy, services, operation of the import and export businesses related to the production of own enterprises, subcontracting work for overseas printing machinery projects and domestic projects by international tendering.

4.3.3 Frame of property right and controlling relationship between the Company and beneficial shareholder



5. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT STAFF

5.1 Changes in shareholding of Directors, Supervisors and Senior Management Staff and their Remuneration

Unit: share, Currency: Rmb

Shareholdings at the beginning of the year									Shareholdings at the end of the year		Increase/decrease		Reason of change		Remuneration before tax received from the Company during the reporting period (Rmb'000)	
Name	Position	Sex	Age	Appointment date	End date of appointment	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Increase/decrease	Reason of change	Remuneration before tax received from the Company during the reporting period (Rmb'000)	Shareholdings at the end of the year	Increase/decrease	Reason of change	Remuneration before tax received from the Company during the reporting period (Rmb'000)		
Wang Guohua	Chairman	Male	43	2005-07-14	2008-07-13	1,200	1,656	456	Bonus shares under share reform	26.1	1,656	456	Bonus shares under share reform	26.1		
Lu Chang'an	Vice Chairman	Male	58	2005-07-14	2008-07-13	4,800	6,624	1,824	Bonus shares under share reform	0	6,624	1,824	Bonus shares under share reform	0		
Zhu Wuan	Chairman	Male	58	2005-07-14	2008-07-13	5,760	7,949	2,189	Bonus shares under share reform	25.3	7,949	2,189	Bonus shares under share reform	25.3		
Yu Baogui	Director	Male	57	2005-07-14	2008-07-13	4,300	5,796	1,596	Bonus shares under share reform	4	5,796	1,596	Bonus shares under share reform	4		
Yang Zhenlong	Director and	Male	44	2005-07-14	2008-07-13	0	0	0		25.5	0	0		25.5		
Jiang Jianming	Director	Male	51	2005-07-14	2008-07-13	0	0	0		25.5	0	0		25.5		
Deng Gang	Director	Male	41	2005-07-14	2008-07-13	0	0	0		4	0	0		4		
Wu Weixiang	Independent Director	Male	72	2005-07-14	2008-07-13	0	0	0		3	0	0		3		
Hu Kuangzuo	Independent Director	Male	60	2005-07-14	2008-07-13	0	0	0		5	0	0		5		
Li Yijing	Independent Director	Female	55	2005-07-14	2008-07-13	0	0	0		3	0	0		3		
Shi Tianzuo	Independent Director	Male	44	2005-07-14	2008-07-13	0	0	0		3	0	0		3		
Xiao Maolin	Supervisor	Male	57	2005-07-14	2008-07-13	0	0	0		3	0	0		3		
Yu Keqin	Supervisor	Male	41	2005-07-14	2008-07-13	0	1,000	1,000	Purchase	11.4	1,000	1,000	Purchase	11.4		
Tian Fuxin	Supervisor	Male	58	2005-07-14	2008-07-13	4,100	5,658	1,558	Bonus shares under share reform	5.2	5,658	1,558	Bonus shares under share reform	5.2		
Zhang Peiru	General Manager	Male	43	2005-07-14	2008-07-13	0	0	0		10.2	0	0		10.2		
Rong Peimin	Secretary to the	Female	55	2005-07-14	2007-03-01	10,000	13,800	3,800	Bonus shares under share reform	24.7	13,800	3,800	Bonus shares under share reform	24.7		
Total	/	/	/	/	/	30,060	42,483	12,423	/	178.9	42,483	12,423	/	178.9		

6. REPORT OF THE DIRECTORS

6.1 Management Discussion and Analysis

As affected by the change in the national tax policies, monetary policies and market demand, and the enhanced investment in China from the global renowned printers during the reporting period, the printing industry market demonstrated a trend of slowing growth and declining benefits. The Company recorded a loss during the year, mainly attributable to the following three reasons: firstly, the price of existing regular machinery was lowered, resulting in the rise in unit product cost; secondly, the new product of its high-end multi-colour presses was still in the fostering period and had not yet realized a reasonable output; thirdly, provisions for impairment of accounts receivable, other receivables and inventories were made based on the accounting standards and the existing assets of the Company. Facing the harsh reality, the Company has took scientific development view to actively change the mode of economic growth and carry out the operating principal of “Customer-centered and market-oriented”. The Company has also significantly implemented the reform and is gradually changing the adverse situation.

(I) REVIEW

1. Strategic pilot to play a significant instructive role

Insisting on the principal of scientific development view during the reporting period, the Company revised the development strategy of the “11th Five-year” Plan and fully analyzed the domestic and overseas market environment and competing strategies of competitors. The Company’s internal capability was systemically sorted out in accordance with the corporate value chain, covering research and development, manufacture, sales, finance, human resources, information system and corporate culture, and the goal was put forwarded in respect of becoming the global competitive supplier with integration of printing machinery manufacture and service. Further, the Company was expected to maintain sustainable and healthy development under the strategic pilot of the “11th Five-year” Plan.

2. Smooth completion of the share segregation reform

During the reporting period, the Company accomplished the share segregation reform plan as scheduled pursuant to the “Guidelines for Promoting the Reform and Opening-up and Sustained Development of the Capital Market” promulgated by the State Council of the PRC and the “Guiding Opinions on the Share Reform of Listed Companies” jointly promulgated by the China Securities Regulatory Commission and other four authorities.

3. Focusing on market to accelerate the improvement and research and development of products

In light of the market-oriented guidance and the customer-satisfactory objective, the Company carried out its research and development and upgraded and improved its BEIREN200 and BEIREN300 products during the reporting period. BEIREN75A medium-sized newspaper press passed the technological appraisal of the Company. Installation and testing and printing testing of 578 size commercial rotary press was completed.

4. Centering on customers to fully implement reform and change marketing philosophy

(1) Based on the market investigation and internal investigation, the Company upgraded its philosophy to emphasize on the “Customer-centered and market-oriented” principal. The Company fully implemented new operating models of marketing companies, which were more closely related to customers and market and were able to rapidly gave market estimation and feedback.



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- (2) Through participating in IPEX Expo in Birmingham (UK) and All in Print in Shanghai, the Company held on-spot product exhibition to fully demonstrate its technological and manufacturing level, thus actively promoting the further exploration of the international and domestic market

5. Initial achievements accomplished in the Company's joint venture through pooling bilateral strengths

During the reporting period, Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited, jointly established by the Company and Mitsubishi Heavy Industries, Ltd., produced the first batch of diamond 1000B printing machines, which were favoured by customers. In addition to introduction of advanced management philosophies and manufacturing technologies, the establishment of the company was also expected to bring new economic growth to the Company.

6. Strict control of budget plan and continual improvement of management methods

With focus on annual budget index during the reporting period, the Company strictly reviewed the budget expenditures on itemised basis to reduce the budget expenditures of RMB10,000,000 by cutting down its cost to improve its efficiency.

(II) PROSPECT

1. To enforce the management on strategic implementation of "11th Five-Year" plan

Under the requirements of the strategic goals, position and measures determined based on the "11th Five-Year" development strategy in 2007, the Company is set to actively promote strategic implementation and set up the procedures monitoring and strategic dynamic evaluation system to evaluate the strategic implementation and the realization of its operating performance. Taking the comprehensive budget system as the key point of strategic implementation, the Company will link budget to the evaluation of senior management's performance to enable the operators to know about strategies and the budget implementation, thus realizing the undertakings made to the Board.

2. To advance the reform management and build the flattered high-efficiency management system with focus on customers

To obtain an advantageous position in the fierce market competition, the Company will further reform the management systems. While establishing the rapid market response mechanism with center on customers, the Company will reduce the hierarchies of management to implement flattered management for better economic operation.

3. To explore the synergy and jointly allocate resources

Through establishing the overall unified management system and build the common system platform, the Company will strengthen the horizontal integration of each business unit and improve the sharing synergy with its subsidiaries in sales, procurement and information system, so as to effectively reduce cost and improve corporate efficiency.

4. To strengthen the control over its subsidiaries and improve its overall operating efficiency

The Company will strengthen the management on its subsidiaries to pursue the growth investment gains. On the one hand, the Company will perfect the control models on its subsidiaries. On the other hand, the Company will endeavour to reduce product cost and strengthen product sales and improve its overall operating efficiency by coping with the actual situation.

5. To put more efforts on the improvement and research and development of high-end products to cater for customers' needs

More efforts will be made to improve and research and develop high-end products to ensure that high-end products participate in market competition by high quality, well-round function and sound adaptivity to cater for customers' needs.

6. To perfect its marketing system and actively explore international market to foster the ability of international operation

Based on the reform of its marketing system, the Company will enforce the evaluation and incentive mechanism and business training on the marketing staff to improve their working ability. By earnest analysis of the development trend of the international market, the Company will attach importance to the internal function requirements of the international department to foster the ability of international operation.

7. To strengthen cost control and ensure the completion of each target

The Company will strictly control purchase prices of raw materials and sales prices of products by rolling control realized through adoption of the principal of matching sales cost with sales revenue. With acceleration of domestic production of imported spare parts of high-end products, the Company will strengthen the cost analysis and improve the principal operating profit margin.

6.2 Principal operations by sectors or products

Sector or product	Principal operating income	Principal operating costs	Gross profit margin (%)	Unit: Rmb		
				Increase (+)/ decrease (-) in principal operating incomes compared with last year (%)	Increase (+)/ decrease (-) in principal operating costs as compared with last year (%)	Increase/ decrease in gross profit margin
Product						
Sheet-fed paper	436,315,316.09	386,254,798.45	10.90	1.10	15.77	decreased by 11.25 percentage points
Web-fed paper	231,121,771.13	148,796,008.46	35.05	(20.96)	(20.14)	decreased by 0.69 percentage points
Intrusion printers	180,386,847.07	137,736,120.06	23.07	(0.47)	(4.36)	increased by 3.07 percentage points
Form presses	75,280,137.06	58,555,716.46	22.22	52.85	50.96	increased by 1.52 percentage points
Spare parts	17,253,541.76	11,559,116.80	32.43	28.01	44.02	decreased by 7.48 percentage points
Printing services	19,203,453.70	13,765,346.30	27.74	(18.54)	(16.46)	decreased by 1.83 percentage points
Others	2,023,175.63	1,219,548.03	39.14	(47.23)	(24.66)	decreased by 18.10 percentage points
Total	961,584,242.44	757,886,654.56	20.66	(3.40)	3.98	decreased by 5.57 percentage points

6.3 Principal operations by geographical location

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

6.4 Major Suppliers and customers

Unit: Rmb0'000			
Total procurement from the top five suppliers	10,271.01	Percentage in total procurement	26.44%
Total sales from the top five customers	10,015.34	Percentage in total sales	10.42%

6.5 Analysis of the operating results and financial status (prepared under PRC accounting standards)

1. Analysis of the operating results

- (1) The Company incurred loss for the first time in 2006. Operating profit decreased by 329.4% from last year. Of which, principal operating profit decreased by 23.93% due to the decrease of 3.4% in principal operating income and the increase of 3.98% in the principal operating cost. Other operating profit decreased by 10.75% from last year and period expense increased by 27.69% as compared with last year.
- (2) Income from investment decreased by 143.45%, compared with last year mainly attributable to the consolidation of Tai He Casting Factory's liquidation pursuant to the shareholding proportion, forming the investment income of the Company for 2005. On the other hand, some subsidiaries incurred loss affected by the market and selling price while the additional joint venture post operating loss for the first year in 2006.
- (3) Net non-operating income decreased by 66.02% compared with last year mainly attributable to the compensation received for the moving of the Company's subsidiaries which result in the decrease of non-operating income compared with last year.

2. Analysis of the operating profit

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

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

3. Period expense

Period expenses for the reporting period increased by 27.69% over last year, among of them: Marketing expenses increased by 18.95% over last year, mainly attributable to the increase in marketing expenses such as exhibition fees and visit of customers; Management expenses increased by 30.42% over last year, mainly due to the increase in account receivable, bad debts provision and inventory impairment provision. Finance costs increased by 34.44% over last year, resulting from the increase in loan and interest adjustment of bank loans.

4. Income from investment

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

5. Non-operating income and expenses

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

6. Analysis of assets, liabilities and equity interests

The total assets value was Rmb2,132,913,600 during the reporting period, increased by Rmb5,529,500 over last year, unchanged basically. The total liabilities was Rmb921,715,900, increased by Rmb121,063,600 over last year, mainly attributable to the increase in short-term borrowing and account payable. The total equity interest was Rmb1,165,310,600 decreased by Rmb115,189,400 over last year, mainly attributable to the distribution of dividends in 2005 and loss incurred in 2006.

6.6. Analysis of financial position (prepared under PRC accounting standards)

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

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

2. Bank loans

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

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

3. Risk control on foreign exchange

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

4. Principal source and utilization of fund

- (1) Cash flows from operating activities

The Company's cash inflows are mainly derived from revenue of goods selling. Cash outflow was mainly related production and operating activities. The Company's cash inflow from operating activities for the reporting period amounted to Rmb1,177,832,200 while the cash outflow amounted Rmb1,142,510,700. Net cash flow during the reporting period from operating activities amounted to Rmb35,321,500.

- (2) Cash flows from investment activities

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

- (3) Cash flows from fund-raising activities

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

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



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5. Capital structure

The Company's capital structure consists of shareholders' interests and liabilities during the reporting period. Shareholders' interests amounted to Rmb1,165,310,600; liabilities amounted to RMB921,715,900; and minority interests amounted to RMB45,887,100. Total assets amounted to RMB2,132,913,600. As at the end of the year, the Company's gearing ratio was 43.21%.

Capital structure by liquidity:

Total current liabilities	921,472,900	Percentage in the capital	43.20%
Total equity interest	1,165,310,600	Percentage in the capital	54.63%

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

6.7. Contingent liability

The Company had no substantial contingent liability during the reporting period.

6.8 Analysis of the reasons for material changes incurred on the overall financial positions compared with that of last year (prepared under PRC accounting Standards)

1. Cash and cash balances decreased by 17.9% compared with beginning of the year, mainly as a result of the increased appropriation of capital of the Company.

2. Bills receivable decreased by 55.87% compared with the beginning of the year, mainly due to the strengthened collection of accounts receivable and the decrease in number of acceptance of bill receivables.

3. Accounts receivable increased by 0.15% compared with the beginning of the year, unchanged basically.

4. Inventories decreased by1.34% 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 due to the increase in bank borrowings to meet the increased demand for working capital for the year.

9. Accounts payable increased by 23.11% compared with the beginning of the year, mainly due to the deferred payment for relieving the pressure on turnover of the Company's working capital.

10. Receipts in advance increased by 63.4% compared with the beginning of the year, mainly due to the increased volume of customer orders at the end of 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 the 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.

6.9 Use of capital raised

☐ Applicable ☒ Not Applicable

Change of projects

☐ Applicable ☒ Not Applicable

6.10 Projects financed by non-raised funds

☒ Applicable ☐ Not Applicable

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

6.11 Explanation of the Board on non-standard opinion given by the auditors

☐ Applicable ☒ Not Applicable

6.12 The Board's Profit Distribution Plan or Plan to Convert Surplus Reserves into Share Capital

As at 31 December 2005, the undistributed profit of the Company amounted to 139,909,400. As approved by the 2005 Annual General Meeting, cash dividend of RMB29,540,000 in aggregation was distributed, with the remaining undistributed profit of RMB110,369,400. During the reporting period, the Company realised net profit of RMB-878,948,000 with the net undistributed profit of RMB224,746,000 after net of the losses for 2006. In accordance with the new Accounting Standard Employee Compensation implemented on 1 January 2007 , the undistributed profit at the beginning of the year was decreased by the emoluments of employees who retired early in the previous years and intended to retire early in 2007. Following the above accounting adjustments, the distributable profit for shareholders was little. In view of the above, the Company did not carry out the profit distribution or transfer amount in capital reserve to share capital for 2006.

The Company did not propose a cash profit distribution plan due to the loss recorded at the end of reporting period

☐ Applicable ☒ Not Applicable

7. SIGNIFICANT EVENTS

7.1 Acquisition of assets

☐ Applicable ☒ Not Applicable

7.2 Disposal of assets

☐ Applicable ☒ Not Applicable

7.3 Material guarantees

☐ Applicable ☒ Not Applicable

7.4 Material Connected Transactions

7.4.1 Connected transactions related to day-to-day operation

☒ Applicable ☐ Not Applicable

Connected transactions related to sales of goods and provision of labour service

Unit: RMB

Related parties	Amount of connected transactions	Percentage of the same type of transaction amount
Beijing Beiren Hengtong Printing Machinery Operation and Sale Company Limited	18,384,829.06	1.99
Beiren Group Corporation	11,821,381.10	1.28
Liaoning Beiren Printing Machinery Operation and Sale Company Limited	4,778,119.66	0.52
Beiren Yan Long Import and Export Company	1,163,504.27	0.13
Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited	420,933.59	0.26
Total	36,568,767.68	

Connected transactions related to purchase of goods and receipt of services

Unit: RMB

Related parties	Amount of connected transactions	Percentage of the same type of transaction amount
Beijing Bei Ying Printing and Casting Company Limited	32,085,029.69	8.26
Beijing Monigraf Automatic Systems Company Limited	14,222,598.20	3.66
Beiren Group Corporation	4,940,312.43	1.27
Beiren Group Corporation	11,663,247.86	57.54
Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited	8,604,837.93	42.46
Total	71,516,026.11	

7.4.2 Connected debts and liabilities

☒ Applicable ☐ Not Applicable

Unit: 10,000Rmb

Name of connected party	Connection	Incurred amount	Balance	Capital provided to connected parties	Amount of the appropriated funds	Incurred amount	Balance	Capital provided to the Company by connected parties
Liaoning Beiren Beifu Printing Machinery Sales Company Limited	Joint Venture	-681.47	1,842.61	—	—	23.31	23.31	
Beijing Beiren Hengtong Printing Machinery Sales Limited	Joint Venture	222.23	1,135.20	—	—	—	—	
Beiren Group Corporation	Controlling shareholder	-982.84	91.00	—	—	-142.99	2,056.13	
Beiren Yan Long Import and Export Company	A subsidiary of the controlling shareholder	—	—	—	—	—	—	1.22
Beijing Bei Ying Printing and Casting Company Limited	Joint Venture	-297.31	—	—	—	678.79	828.79	
Beijing Monigraf Automatic Systems Company Limited	Joint Venture	12.66	12.66	—	—	265.65	265.65	
Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited	Joint Venture	—	—	—	—	957.74	957.74	
Beijing Beiren Tai He Casting Factory	A subsidiary	—	—	—	—	1,093.20	1,093.20	
Xian Beiren Beifu Printing Machinery Sales Company Limited	Joint Venture	-109.20	—	—	—	—	—	
Total		-1,835.93	3,081.47	—	—	1,782.50	5,226.04	

During the reporting period, the amount provided by the Company to the controlling shareholders and its subsidiaries was Rmb0. Balance of the same was Rmb0.

Reasons for connected debts and liabilities: Among the capital provided to connected parties, the provided to Liaoning Beiren Printing Machinery Limited, Beijing Beiren Hengtong Printing Machinery Sales Limited , Beiren Group Corporation was derived from sale of the Company's products, while that provided to Beijing Beiying Printing and Casting Company Limited was derived from provision of services and ancillary services for the Company's products. Among the capital provided to the Company by connected parties, Rmb14,996,300 due from Beiren Group Corporation was the amount payable for acquisition of Factory No.4. The company did not have any material connected transactions during the reporting period.

7.4.3 Appropriated fund and the recovery progress in 2006

☐ Applicable ☒ Not Applicable

Appropriation of additional fund during reporting period

☐ Applicable ☒ Not Applicable

The failure to recover non-operating appropriated funds as at the end of 2006 and the responsibility accountability plan proposed by the Board

☐ Applicable ☒ Not Applicable

7.5 Asset management on trust

☐ Applicable ☒ Not Applicable

7.6 Performance of undertakings

7.6.1 Undertakings of the original holder of non-circulating shares during the share segregation reform and its performance

☒ Applicable ☐ Not Applicable

The sole holder of non-circulating shares of the Company undertakes (1) it will not trade or transfer the non-circulating shares held by it within 12 months from the date of implementation of the Share Segregation Reform Proposal; (2) within 12 and 24 months, subsequent to the aforesaid period, the number of the originally non-circulating shares subsequently listed for trading on the stock exchange will not exceed 5 per cent and 10 per cent, respectively, of the total number of shares of the Company; (3) within the aforesaid period, the selling price of such shares subsequently listed on the stock exchange will not be lower than 110% (RMB4.29/ share) of the weighted average price of 30 trading days before the announcement of the Share Segregation Reform Proposal; and (4) any dividend payment, bonus issue and capital reserve fund conversion to share capital that constituted to the suspension of trading rights and dividend from the date of implementation of the Share Segregation Reform Proposal till the disposal of shares shall be subject to the suspension of the trading rights.

During the reporting period, the sole holder of non-circulating shares of the Company has strictly performed the undertakings it made in the course of the share segregation reform.



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Change in shares not subject to trading moratorium held by the original holder of non-circulating shares with more than 5% shares at the end of reporting period.

☐ Applicable ☒ Not Applicable

7.6.2 Schedule of the Share Segregation Reform for the unreformed companies

☐ Applicable ☒ Not Applicable

### 7.7 Material litigation or arbitration

☐ Applicable ☒ Not Applicable

### 7.8 Other material events

(1) Auditors' remuneration:

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

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

(2) During the reporting period, the Company was in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company has not identified and appointed an appropriate candidate of qualified accountant being a fellow or associate member of the Hong Kong Institute of Certified Public Accountants as required by Rule 2.24 of the Listing Rules.

(3) After special enquiries made by the Board to all directors, supervisors and senior management members in accordance with the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, the Company confirms that all directors, supervisors and senior management members have complied with the code for securities transactions by directors during the reporting period.

(4) The 2006 annual results of the Company have been reviewed by the audit committee of the Company.

(5) During the reporting period, no purchase, sale or redemption of the Company's listed share was made by the Company or any of its subsidiaries.

(6) As at 31 December, 2006, the Company didn't issue or grant of any convertible securities, options, warrants or similar rights.

## 8. REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee was of the opinion that the Company carried out its operations in accordance with the laws and there were no problems in the Company's financial positions, use of the Company's proceeds arising for subscriptions, acquisition of enterprises, disposal of assets and connected transactions.

## 9. FINANCIAL REPORT

(Prepared under Hong Kong accounting standards)

### 9.1 Auditor's Opinion

Deloitte Touche Tohmatsu of Hong Kong and Deloitte Touche Tohmatsu have audited the Financial Report of the Company for 2006 in accordance with HK GAAP and PRC accounting standards and issued their respective auditors' report with unqualified opinion.

### 9.2 Comparison of the consolidated and the Company's balance sheets, income statements, profit distribution statements and cash flow statements for the current year.

#### BALANCE SHEET

31 December 2006

Prepared by: Beiren Printing Machinery Holdings Limited Unit:RMB

Item	Consolidated		The parent company	
	As at 31 December 2006	As at 1 January 2006	As at 31 December 2006	As at 1 January 2006
Current assets				
Cash and bank balances	82,804,512.27	100,860,695.33	42,636,228.02	43,551,113.63
Bills Receivable	11,883,778.28	26,931,784.60	4,709,178.28	10,989,834.60
Accounts receivable	371,979,824.71	371,415,628.85	293,864,795.17	303,700,631.49
Other receivables	31,873,472.40	32,657,230.27	21,380,953.57	26,203,242.76
Prepayments	11,747,539.66	15,429,480.53	5,336,035.44	8,566,445.94
Inventories	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	37,117,379.14	19,787,520.32	232,317,247.26	218,797,377.79
Total long term investment	37,117,379.14	19,787,520.32	232,317,247.26	218,797,377.79

Including: Consolidated difference	—	1,231,361.11	—	—
Fixed assets				
Fixed assets, at cost	1,284,817,628.90	1,262,176,690.64	1,007,720,101.72	965,258,018.77
Less: Accumulated depreciation	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: Provision for diminution in value of fixed assets	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	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	25,311,812.79	26,132,662.01	20,693,646.68	20,513,840.39
Long term deferred expenses	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

31 December 2006

Prepared by: Beiren Printing Machinery Holdings Limited Unit:RMB

Item	Consolidated		The parent company	
	As at 31 December 2006	As at 1 January 2006	As at 31 December 2006	As at 1 January 2006
Liabilities and shareholders' interests				
Current liabilities				
Short term loans	350,023,825.01	290,402,766.70	255,883,825.01	202,752,766.70
Bills payable	39,819,924.47	41,358,636.90	31,519,924.47	27,608,636.90
Accounts payable	319,056,119.55	259,170,965.18	236,544,971.23	196,598,882.97
Receipts in advance	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 payables	11,690,349.46	19,525,478.07	503,821.06	10,054,121.18
Sundry payables	845,681.85	305,316.27	62,206.93	106,126.41
Other payables	78,789,441.80	69,167,434.52	63,416,212.04	56,968,383.95
Expected liabilities	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	33,550,000.00	32,550,000.00	—	—
Other current liabilities	—	—	—	—
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	—	4,000,000.00	—	—
Total long term liabilities	—	4,000,000.00	—	—
Deferred tax:				
Deferred tax credit	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' interests				
share capital	422,000,000.00	422,000,000.00	422,000,000.00	422,000,000.00
Capital reserve	523,020,271.06	520,864,095.43	524,038,491.54	521,882,315.91
Surplus reserve	197,666,214.93	197,666,214.93	192,564,789.29	192,564,789.29
Retained profits	22,474,593.24	139,909,389.09	28,416,516.59	146,852,349.31
Including distribution of cash dividend	—	29,540,000.00	—	29,540,000.00
Exchange reserve	149,550.92	60,333.38	—	—
Total shareholders' interests	1,165,310,630.15	1,280,500,032.83	1,167,019,797.42	1,283,299,454.51
Total liabilities and shareholders' interests	2,132,913,615.40	2,127,384,112.13	1,808,003,731.42	1,823,496,365.00

#### PROFIT AND LOSS ACCOUNT AND PROFITS DISTRIBUTION

January to December 2006

Prepared by: Beiren Printing Machinery Holdings Limited Unit:RMB

Item	Consolidated		The parent company	
	As at 31 December 2006	As at 1 January 2006	As at 31 December 2006	As at 1 January 2006
I. Principal operating income	961,584,242.44	995,386,645.38	654,646,901.38	707,112,162.47
Less: Principal operating costs	757,886,654.56	728,901,352.45	531,833,152.64	510,234,035.10
I. Sales tax and surcharge for principal operation	5,075,455.05	5,391,543.28	4,080,677.61	3,972,098.20
II. Principal operating loss	198,622,132.83	261,093,749.65	118,733,071.13	192,906,029.17
Add: Other operating profit	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	16,939,519.24	12,599,863.13	11,183,364.96	7,863,770.35
III. Operating profit	-88,130,039.66	38,417,994.15	-77,724,718.67	42,583,275.94
Add: Investment gains	-3,913,657.00	9,007,467.73	-10,903,061.37	11,467,742.47
Non-operating income	3,575,168.69	14,808,506.24	535,811.26	6,919,372.23
Less: Non-operating expense	-1,210,701.77	724,854.17	803,863.94	232,930.38
IV. Total profit	-87,257,826.20	61,509,113.95	-88,895,832.72	60,737,460.26
Less: Income tax	2,224,095.20	13,123,623.77	—	11,143,669.62
Less: Minority interests	-1,587,125.55	-404,865.87	—	—
V. Net profit	-87,894,795.85	48,790,356.05	-88,895,832.72	49,593,790.64
Add: retained profits at beginning of the year	139,909,389.09	134,944,772.52	146,852,349.31	140,937,316.79
VI. Distributable profits	52,014,593.24	183,735,128.57	57,956,516.59	190,531,107.43
Less: transfer to statutory surplus reserve	—	5,032,869.74	—	4,959,379.06
Transfer to statutory public welfare fund	—	5,032,869.74	—	4,959,379.06

VII. Profit distributable to shareholders	52,014,593.24	173,669,389.09	57,956,516.59	180,612,349.31
Ordinary dividends payable	29,540,000.00	33,760,000.00	29,540,000.00	33,760,000.00
VIII. Undistributed Profit	22,474,593.24	139,909,389.09	28,416,516.59	146,852,349.31

#### CASH FLOW STATEMENT

January to December 2006

Prepared by: Beiren Printing Machinery Holdings Limited Unit:Rmb

Item	Consolidated	The parent company
I. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	1,139,295,683.30	749,180,368.63
Other cash received relating to operating activities	38,536,511.80	7,734,570.38
Subtotal of cash inflows from operating activities	1,177,832,195.10	756,914,939.01
Cash paid for goods and services	791,324,550.00	532,546,764.22
Cash paid to and on behalf of employees	175,109,848.22	113,345,981.48
Taxes and surcharges paid	78,200,098.57	56,045,124.04
Other cash paid relating to operating activities	97,876,237.20	66,054,705.94
Subtotal of cash outflows from operating activities	1,142,510,733.99	767,992,575.68
Net cash flows from operating activities	35,321,461.11	-11,077,636.67
II. Cash flows from investment activities:		
Cash received from disposal of investment	1,000.00	—
Cash received from disposal of fixed assets, intangible assets and other long term assets	3,341,237.39	348,598.00
Other cash received relating to investment activities	1,060,572.74	—
Subtotal of cash inflows from investment activities	4,402,810.13	348,598.00
Cash paid to acquire fixed assets, intangible assets and other long term assets	94,246,034.54	28,781,377.75
Cash paid for investments	22,540,000.00	22,540,000.00
Subtotal of cash outflows from investment activities	116,786,034.54	51,321,377.75
Net cash flows from investment activities	-112,383,224.41	-50,972,779.75
III. Cash flows from financing activities		
Cash received from loans	451,510,800.00	351,370,800.00
Subtotal of cash inflows from financing activities	451,510,800.00	351,370,800.00
Cash repayments of debts	346,650,000.00	250,000,000.00
Cash payments for distribution of dividends or profits and payments of interest expenses	45,734,141.55	40,235,269.19
Including: Dividend paid to minority shareholders	—	—
Other cash paid relating to financing activities	6,701,674.54	—
Subtotal of cash outflows from financing activities	399,085,816.09	290,235,269.19
Net cash flows from financing activities	52,424,983.91	61,135,530.81
IV. Effect of change in foreign exchange rate on cash	-121,078.21	—
V. Net increase in cash and cash equivalents	-24,757,857.60	-914,885.61

#### CASH FLOW STATEMENT

January to December 2006

Prepared by: Beiren Printing Machinery Holdings Limited Unit:Rmb

Item	Consolidated	The parent company
Supplementary Information		
1. Reconciliation of net profit to cash flow from operating activities		
Net profit	-87,894,795.85	-88,895,832.72
add: Minority interests (losses are represented by "—")	-1,587,125.55	—
Less: Unconfirmed investment loss	—	—
Add: Provision for diminution in value of assets	60,243,817.26	56,033,982.70
Depreciation of fixed assets	48,670,435.42	34,256,140.34
Amortisation of intangible assets	1,858,264.61	797,130.10
Amortisation of deferred expenses	78,780.00	66,000.00
Decrease in deferred expenses (less: increase)	-267,172.00	6,260.04
Increase in accruals (less: decrease)	-1,489,636.85	-1,363,932.37
Loss on disposal of fixed assets, intangible assets and other long term assets (less: gains)	2,242,823.83	2,479,750.40
Loss from obsolescence of fixed assets	—	—
Financial cost	16,194,141.55	10,695,269.19
Investment loss (less: gains)	2,807,322.40	8,880,328.34
Deferred tax credit (less: debit)	—	—
Decrease inventory (less: increase)	-35,297,589.25	-34,795,094.07
Decrease in operating receivables (less: Increase)	-26,024,327.86	-39,151,771.53
Increase in operating payables (less: decrease)	55,786,523.40	39,914,132.91
Net cash flows from operating activities	35,321,461.11	-11,077,636.67
2. Investment and fund raising activities not involve cash balance		
Trade receivable due from insurance business	48,239,741.69	48,239,741.69
3. Net increase in cash and cash equivalents		
Close balance of cash	76,102,837.73	42,636,228.02
Less: Open balance of cash	100,860,695.33	43,551,113.63
Add: Close balance of cash equivalents	—	—
Less: Open balance of cash equivalents	—	—
Net cash and cash equivalents	-24,757,857.60	-