

IMPORTANT NOTES

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.
2. 10 directors out of 11 eligible directors of the Company attended the meeting. Mr. Zhu Wuan, a director of the Company, could not attend the meeting for business reasons and appointed Mr. Wang Guohua, the Chairman of the Company, to exercise the voting rights on his behalf.
3. Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu issued a standard unqualified auditor’s report, respectively, in accordance with PRC accounting standards and Hong Kong Financial Reporting Standards and Hong Kong Company Ordinance of Hong Kong, respectively.
4. Mr. Wang Guohua, the Chairman, Mr. Zhang Peiwu, the General Manager, and Mr. Jiang Jianming, the Chief Accountant, have declared that they guarantee the truthfulness and completeness of the financial statements contained in the annual report.

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INTRODUCTION TO THE COMPANY

(I) THE REFERENCE INFORMATION RELATED TO THE COMPANY

1. Legal Chinese name of the Company: 北人印刷機械股份有限公司
Chinese abbreviation: 北人股份
Legal English name: Beiren Printing Machinery Holdings Limited
English abbreviation: BR
2. Company's legal representative: Wang Guohua
3. Company Secretary to the Board of Directors: Jiao Ruifang
Telephone: 010-67802690
Facsimile: 010-67802570
E-mail: beirengf@beirengf.com
Contact address: No. 6 Rong Chang Dong Street,
Economic and Technological Development Zone,
Beijing, the People's Republic of China (the "PRC")
Representative in charge of securities affairs: Lu Ruiping
Telephone: 010-67802565
Facsimile: 010-67802570
E-mail: beirengf@beirengf.com
Contact address: No. 6 Rong Chang Dong Street,
Economic and Technological Development Zone,
Beijing, the People's Republic of China (the "PRC")
4. Registered address of the Company: No. 6 Rong Chang Dong Street,
Economic and Technological Development Zone,
Beijing, the PRC
Office address of the Company: No. 6 Rong Chang Dong Street,
Economic and Technological Development Zone,
Beijing, the PRC
Postal code: 100176
Company's international internet website: <http://www.beirengf.com>
E-mail: beirengf@beirengf.com
5. Name of newspapers designated for dissemination of company information: Shanghai Securities News, Hong Kong Economic Times,
The Standard (English)
Internet website for publishing annual report: <http://www.sse.com.cn>,
<http://www.hkex.com.hk>
Place for preparation and reference of annual reports: Secretariat of the Board of Directors of
Beiren Printing Machinery Holdings Limited
6. Place of listing of the Company's A Shares: Shanghai Stock Exchange
Abbreviated name of A Shares: 北人股份
Stock code for A Shares: 600860
Place of listing for the Company's H Shares: The Stock Exchange of Hong Kong Limited
Abbreviated name of H Shares: Beiren Printing
Stock code for H Shares: 187



INTRODUCTION TO THE COMPANY

(I) THE REFERENCE INFORMATION RELATED TO THE COMPANY *(Continued)*

7. Other related information:	
Date of first business registration of the Company:	13 July 1993
Place of first business registration of the Company:	Chaoyang District, Beijing, the PRC
Date of change in business registration of the Company:	24 December 2003
Place of change in business registration of the Company:	Beijing, the PRC
Business registration number:	1100001501595
Tax registration number:	Jing Guo Shui Chao Zi 110105101717457
Domestic auditors of the Company:	Deloitte Touche Tohmatsu CPA LTD
Address of domestic auditors of the Company:	8/F, Office Tower W2, The Towers, Oriental Plaza 1 East Chang An Avenue Beijing, the PRC
Overseas auditors of the Company:	Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong
Address of overseas auditors of the Company:	26/F, Wing On Centre, 111 Connaught Road, Central, Hong Kong
Domestic legal adviser of the Company:	China Kang Da Law Office
Address of domestic legal adviser of the Company:	No. 19, Jianguomenwai Dajie, Chaoyang District, Beijing, China
Overseas legal adviser of the Company:	Woo, Kwan, Lee & Lo
Address of overseas legal adviser of the Company:	27/F, Jardine House, Central, Hong Kong
Reception of shareholder enquiries:	10th and 20th of each month (or on the following business day if it falls on a public holiday) (Closed on Saturday and Sunday) 9:00-11:00a.m. 2:00-4:00p.m.

(II) COMPANY BACKGROUND

1. History

The Company is a joint stock company established by Beiren Group Corporation as the sole promoter. On 13 July 1993, the Company incorporated in the Administration Bureau of Industry and Commerce. The Company was approved to become a joint stock limited company established by public offer of shares domestically and in Hong Kong on 16 July 1993 with regard to the approval document Ti Gai Sheng (1993) No. 118 from the State Commission for Restructuring Economic System. Pursuant to the approval of the China Securities Regulatory Commission ("CSRC") of the State Council and other relevant authorities, the Company issued H Shares in Hong Kong in 1993 and A Shares in Shanghai in 1994. The H Shares were listed on The Stock Exchange of Hong Kong Limited in 1993 and the A Shares were listed on the Shanghai Stock Exchange in 1994. Upon the approval of document Zheng Jian Fa Hang Zi [2002] No. 133 issued by China Securities Regulatory Commission ("CSRC") in 2002, the Company issued 22,000,000 additional A Shares which were listed on the Shanghai Stock Exchange on 16 January 2003. On 30 March 2006, the Company's the shareholders' general meeting approved share segregation reform in the A-share market. Trading in the Company's A shares resumed on 31 March 2006.

2. Scope of business operations

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



SUMMARY OF ACCOUNTING AND OPERATIONAL FIGURES

(I) MAJOR ACCOUNTING FIGURES OF THE COMPANY FOR THE REPORTING PERIOD

Unit: Rmb

Item	Amount
Total profit	-87,257,826.20
Net profit	-87,894,795.85
Net profit after extraordinary items	-93,878,476.30
Profit from principal operations	198,622,132.83
Other operating profit	5,594,388.15
Operating profit	-88,130,039.66
Investment gains	-3,913,657.00
Income from subsidies	0
Net non-operating expenses	4,785,870.46
Net cash flow from operating equivalents	35,321,461.11
Net decrease in cash and cash equivalents	-24,757,857.60

(II) DEDUCTING EXTRAORDINARY ITEMS AND AMOUNT

Unit: Rmb

Extraordinary items	Amount
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

(III) MAJOR ACCOUNTING FIGURES AND FINANCIAL INDICES FOR THE PAST THREE YEARS

Unit: Rmb

Major accounting Figures	2006	2005	Increase/ decrease in 2006 as compared with 2005 (%)	2004
Profit from principal operations	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
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
Return on net assets after extraordinary items (Weighted average) (%)	-7.65	2.64	Decrease 10.29 percentage points	7.57
Net cash flow from operating activities	35,321,461.11	-31,354,369.58	212.65	40,321,639.30
Net cash flow per share from operating activities	0.08	-0.07	214.29	0.10



SUMMARY OF ACCOUNTING AND OPERATIONAL FIGURES

(III) MAJOR ACCOUNTING FIGURES AND FINANCIAL INDICES FOR THE PAST THREE YEARS *(Continued)*

	End of 2006	End of 2005	Increase/ decrease as compared the previous period (%)	End of 2004
Total assets	2,132,913,615.40	2,127,384,112.13	0.26	2,019,421,955.06
Equity interests of shareholders (exclusive of minority interests)	1,165,310,630.15	1,280,500,032.83	-9.00	1,265,422,331.87
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

(IV) CHANGES AND REASONS OF CHANGES IN SHAREHOLDERS' INTERESTS DURING THE REPORTING PERIOD

Unit: Rmb

Item	Share capital	Capital reserves	Surplus reserves	Others	Undistributed profit	Total shareholders' interests
Opening	422,000,000.00	520,864,095.43	197,666,214.93	60,333.38	139,909,389.09	1,280,500,032.83
Increase in the period		2,156,175.63		89,217.54	-87,894,795.85	-85,649,402.68
Decrease in the period					29,540,000.00	29,540,000.00
Closing	422,000,000.00	523,020,271.06	197,666,214.93	149,550.92	22,474,593.27	1,165,310,630.15

(V) DIFFERENCES BETWEEN THE PRC AND INTERNATIONAL ACCOUNTING STANDARDS

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
Differences in valuation of other assets and consequential adjustment	—	6,374	-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	1,342,297	1,192,954



SUMMARY OF ACCOUNTING AND OPERATIONAL FIGURES

(V) DIFFERENCES BETWEEN THE PRC AND INTERNATIONAL ACCOUNTING STANDARDS *(Continued)*

Notes:

During the year, the impact of differences between the PRC and international accounting standards on the net profits of the Company was Rmb32,755,000, the difference was mainly due to the following:

1. Consequential adjustment on net assets contributed by Beiren 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.

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.

MOVEMENT OF SHAREHOLDER'S EQUITY AND INFORMATION OF SHAREHOLDERS

(I) CHANGES IN SHARE CAPITAL

1. Change in shareholding

Unit: Share

	Before Change			Increase/decrease in this change (+/-)				After Change	
	Number	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserves	Others	Sub-total	Number	Percentage (%)
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. Foreign 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. Foreign shares listed domestically	—	—	—	—	—	—	—	—	—
3. Foreign 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

Expiration date of trading moratorium

Unit: share

Date	No. of additional shares available for listing and trading after expiring of trading moratorium	The balance of shares subject to trading moratorium	The balance of shares not subject to trading moratorium	Note
31 March, 2007	21,100,000	201,540,000	220,460,000	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; 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; 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.
31 March, 2008	42,200,000	180,440,000	241,560,000	
31 March, 2009	222,640,000	0	422,000,000	

MOVEMENT OF SHAREHOLDER'S EQUITY AND INFORMATION OF SHAREHOLDERS

(I) CHANGES IN SHARE CAPITAL *(Continued)*

1. Change in shareholding *(Continued)*

Approval of change in shares:

Share Segregation Reform of the Company: The only non-circulating shares shareholder gave 27,360,000 shares to the circulating shares shareholders as the consideration for the circulating right for non-circulating shares, i.e., 3.8 shares for 10 circulating A shares, which was approved by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality on 14 March 2006, and approved at the general meeting related to the share segregation reform on 20 March 2006.

Transfer of shares changed

The Company received the Notice of Implementation of Share Segregation Reform in Beiren Printing Machinery Holdings Limited from Shanghai Stock Exchange, pursuant to which, the share segregation reform was completed on 31 March 2006 and the shares changed were transferred.

2. Share issue and listing

(1) Status of share issue for the past three years

For the past three years ended 31 December 2005, the Company had not engaged in share issue or listing including issues of new shares and share placement.

(2) Changes in total number of shares and the shareholding structure of the Company

The Company completed the Share Segregation Reform in March 2006. After the consideration was paid, the ratio of shares subject to trading moratorium was reduced to 52.76% and the ratio of shares not subject to trading moratorium was raised to 47.24%, with the total number of shares unchanged, being 422,000,000.

(3) Existing internal employee shares

There was no internal employee share in the Company at the end of the reporting period.

3. The Company's share prices during the period

(1) H Shares' prices in 2006:

Opening price at beginning of year:	HK\$1.47
Closing price at end of year:	HK\$1.68
Highest price:	HK\$2.025
Lowest price:	HK\$1.38

(2) A Shares' prices in 2006:

Opening price at beginning of year:	Rmb3.56
Closing price at end of year:	Rmb3.66
Highest price:	Rmb4.74
Lowest price:	Rmb2.62



MOVEMENT OF SHAREHOLDER'S EQUITY AND INFORMATION OF SHAREHOLDERS

(II) SHAREHOLDERS

1. Number of shareholders and their shareholding

Total number of shareholders at the end of the reporting period 34,430 (including: 34,324 A share holders and 106 H share holders)

Particulars of top ten shareholders

Name of shareholder	Nature of shareholder	Percentage to share capital (%)	Number of shares held	Increase/decrease year-on-year	Number of Shares subject to trading moratorium	Number of shares pledged or frozen
Beiren Group Corporation	State-owned shareholder	52.762	22,640,000	-27,360,000	222,640,000	Nil
HKSCC NOMINEES LIMITED	Foreign shareholder	23.14	97,665,199	418,000	0	Unknown
HSBC NOMINEES (HONG KONG) LIMITED	Foreign shareholder	0.17	702,000	0	0	Unknown
劉昔燎	Unknown	0.16	685,319	685,319	0	Unknown
劉克夫	Unknown	0.15	618,926	618,926	0	Unknown
翟軍	Unknown	0.12	517,400	517,400	0	Unknown
HUI KAU YU	Foreign shareholder	0.09	400,000	0	0	Unknown
朱子允	Unknown	0.09	400,000	400,000	0	Unknown
劉媛月	Unknown	0.09	392,588	392,588	0	Unknown
李桂蘭	Unknown	0.08	340,000	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 Listed overseas
HSBC NOMINEES (HONG KONG) LIMITED	702,000	Foreign shares listed overseas
劉昔燎	685,319	Renminbi ordinary shares
劉克夫	618,926	Renminbi ordinary shares
翟軍	517,400	Renminbi ordinary shares
HUI KAU YU	400,000	Foreign shares listed overseas
朱子允	400,000	Renminbi ordinary shares
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.

Notes:

- (1) Among the top ten shareholders of the Company, Beiren Group Corporation is the controlling shareholder of the Company.
- (2) HKSCC Nominees Limited held shares on behalf of its clients and the Company has not been notified by HKSCC Nominees Limited that there was any holder of H Shares who separately held 5% or more of the total share capital of the Company.
- (3) None of the shareholders holding 5% or more of the Company's shares are in position where their shares have been pledged or frozen.
- (4) There was no change in respect of shareholders holding 5% or more of the Company's shares.



MOVEMENT OF SHAREHOLDER'S EQUITY AND INFORMATION OF SHAREHOLDERS

(II) SHAREHOLDERS (Continued)

1. Number of shareholders and their shareholding (Continued)

Notes: (Continued)

- (5) Save as disclosed above, as far as the Directors are aware, none of the persons (not being a Director or chief executive of the Company) has any interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.
- (6) Purchase, sale or redemption of the Company's listed securities
- During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.
- (7) Pre-emptive rights
- There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.
- (8) Convertibles, options, warrants or other similar rights
- As of 31 December 2006, the Company did not issue any convertible securities, options, warrants or any other similar right.

2. Particulars of Shares held by Top 10 Holders of Shares subject to Trading Moratorium and Trading Moratorium

Unit: share

No.	Name of holder of shares subject to trading moratorium	No. of shares subject to trading moratorium held	Particulars of Shares subject to Trading Moratorium available for listing and trading		Trading moratorium
			Trading moratorium expires on	No. of additional shares available for listing and trading after expiring of trading moratorium	
1	Beiren Group Corporation	222,640,000	31 March, 2007 31 March, 2008 31 March, 2009	21,100,000 42,200,000 222,640,000	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; 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; 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.

MOVEMENT OF SHAREHOLDER'S EQUITY AND INFORMATION OF SHAREHOLDERS

(II) SHAREHOLDERS *(Continued)*

3. Controlling shareholder and beneficial controller

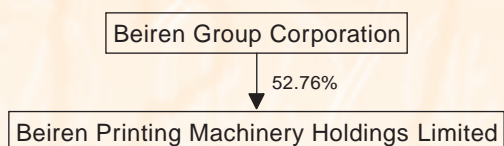
(1) Status of the legal person controlling shareholder

Name of the 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 sale 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.

(2) Changes in status of controlling shareholder and beneficial controller

There was no change in the controlling shareholder and the beneficial controller of the Company during the reporting period.

(3) Property right and controlling relationship between the Company and beneficial controller



4. Details of other legal person shareholders holding 10% or more of shares

As at the end of this reporting period, the Company did not have any legal person shareholder holding 10% or more of its shares.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT STAFF

(I) DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Unit: Share Currency: Rmb

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)
Wang Guohua	Chairman	Male	43	2005-07-14	2008-07-13	1,200	1,656	456	Bonus shares under share reform	26.1 (2006.1-2006.8)
Lu Changan	Vice Chairman	Male	58	2005-07-14	2008-07-13	4,800	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 (2006.1-2006.12)
Yu Baogui	Director	Male	57	2005-07-14	2008-07-13	4,200	5,796	1,596	Bonus shares under share reform	4
Yang Zhendong	Director and	Male	44	2005-07-14	2008-07-13	0	0	0		25.5
Jiang Jianming	Director	Male	51	2005-07-14	2008-07-13	0	0	0		25.5
Deng Gang	Director	Male	41	2005-07-14	2008-07-13	0	0	0		4
Wu Wenxianag	Independent Director	Male	72	2005-07-14	2008-07-13	0	0	0		3
Hu Kuongzuo	Independent Director	Male	60	2005-07-14	2008-07-13	0	0	0		5
Li Yijing	Independent Director	Female	55	2005-07-14	2008-07-13	0	0	0		3
Shi Tiantao	Independent Director	Male	44	2005-07-14	2008-07-13	0	0	0		3
Xiao Maolin	Supervisor	Male	57	2005-07-14	2008-07-13	0	0	0		3
Xu Kexin	Supervisor	Male	41	2005-07-14	2008-07-13	0	1,000	1,000	Purchase	11.4
Tian Furen	Supervisor	Male	58	2005-07-14	2008-07-13	4,100	5,658	1,558	Bonus shares under share reform	5.2
Zhang Peiwu	General Manager	Male	43	2006-08-25	2008-07-13	0	0	0		10.2 (2006.9-2006.12)
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
Total	/	/	/	/	/	30,060	42,483	12,423	/	178.9

Explanations:

- (1) Save as disclosed above, none of the directors, supervisors and senior management or any of their associates, as at 31 December 2006, had any interest in the shares of the Company or its associated corporations (as defined in the Securities and Futures Ordinance (the "SFO")). None of the directors and supervisors or their spouse or children under the age of 18 was granted any right to acquire securities of the Company or had exercised any such right.
- (2) As at the balance sheet date or at any time during the year, none of the directors and supervisors of the Company was directly or indirectly interested in any material contract of the Company other than the service contracts mentioned below.
- (3) Save as those set out in the register required to be maintained by directors and supervisors under section 352 of the SFO, during the year, the Company did not engage in any arrangement which would enable the directors or supervisors of the Company or their respective associates to acquire any interest in any shares or debt securities of the Company by the purchase of any other corporation, nor did the directors or supervisors had any interest which was required to be recorded in the register under section 352 of the SFO.
- (4) Save as disclosed above, none of the directors, supervisors and senior management of the Company, as at 31 December 2006, had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or any interest or short positions which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO.
- (5) None of the directors, supervisors and senior management of the Company or the respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or had exercised any such right as at 31 December 2006.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT STAFF

(I) DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

2. Service contracts of directors and supervisors

The directors and supervisors have entered into written contracts with the Company, the main contents of which are as follows:

- (1) Each contract for the directors of the fifth Board of Directors and supervisors of the fifth Supervisory Committee is for a term commencing from 14 July 2005 to 13 July 2008.
- (2) The salary payable to the directors and supervisors is subject to a 15% increment for each subsequent year within the term of the service contracts.
- (3) Each of the directors is entitled to a management bonus calculated by reference to the consolidated net profit of the Company (excluding extraordinary items) after taxation as decided by the Board of Directors provided that the aggregate amount of bonus payable to the directors may not exceed 1% of such profit. The directors shall abstain from voting in respect of the resolution on the amount payable to them.

(II) PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE LAST FIVE YEARS:

- (1) **Wang Guohua**, Chinese nationality, aged 43, Chairman of the Board, an MBA holder and a senior economist. Mr. Wang was the Director and Chief Engineer of Beiren Printing Machinery Holdings Ltd. in 1996; Head of Beijing Research Institute of Printing Machinery in 1997; General Manager of the Company since March 2000; and Chairman of the board of the Company since August 2006. He has been engaged in product design and corporate management for a number of years.
- (2) **Lu Changan**, Chinese nationality, aged 58, Vice Chairman, a postgraduate and a senior economist. Mr. Lu was the Deputy General Manager of the Company Beiren Printing Machinery Holdings Ltd. in 1996; and General Manager of the Company Beiren Printing Machinery Holdings Ltd. in 1998. He is currently the General Manager of Beiren Group Corporation. He has over 30 years' experience in corporate management.
- (3) **Zhu Wuan**, Chinese nationality, aged 58, a Director, an MBA holder and a senior economist. Mr. Zhu had been the Chairman of the Board, a Director, Secretary to the Board of Directors and Deputy General Manager since 1993. Currently, he is a Director of the Company. He has over 30 years' experience in corporate management and over 10 years' knowledge and skills in administering and running a listed company.
- (4) **Yu Baogui**, Chinese nationality, aged 57, a Director, a post-secondary graduate and a political work engineer. Mr. Yu has been a Director and the Chairman of the Labour Union of the Company since 1996. He has over 10 years' experience in production management and employees' relations.
- (5) **Yang Zhendong**, Chinese nationality, aged 44, Chief Engineer, a postgraduate and a senior engineer. Mr. Yang was the Deputy Chief of Research Institute of Beiren Printing Machinery Holdings Ltd. in 1998. He has been the Chief Engineer of Beiren Printing Machinery Holdings Ltd. since 2000. Mr. Yang has years of experience in product design and management.
- (6) **Jiang Jianming**, Chinese nationality, aged 51, a Director, Chief Accountant, a university graduate and a senior accountant. Mr. Jiang was Head of Asset Management Department of Beijing Mechatronics Industry Holding (Group) Company Limited in 1997, and Head of Audit Department of Asset and Finance of Beijing Mechatronics Holding Company Limited. He has served as the Chief Accountant of the Company since 2005. He has extensive experience in corporate financial management.
- (7) **Deng Gang**, Chinese nationality, aged 41, a Director, a postgraduate and a senior engineer. Mr. Deng currently is Head of Human Resources Department of Beijing Mechatronics Holding Company Limited. Mr. Deng has experience and ability in various fields including human resource management.
- (8) **Wu Wenxiang**, Chinese nationality, aged 72, an independent non-executive director, a member of the Strategic Committee, and a senior economist. Mr. Wu graduated from the People's University of China with major in industrial statistics. He was once General Manager and Chairman of China Printing Holding Company, a member of the printing technology equipment coordination team of the National Economic Commission, the Secretary General and Vice-chairman of China Printing and Equipment Machinery Industrial Association, and Vice-chairman of the standing committee for the Supervisors and Consultants Committee of China Printing Museum. Mr. Wu is currently Chairman of China Printing Technology Association, Vice-chairman of China Publishing Workers Association, and Vice-chairman of China Packaging Technology Association. He was accredited as outstanding contribution expertise of the State and was granted special subsidy in 1992. In 1995, Mr. Wu was in charge of research and production of national drawings printed by plastic seal on soft paper and obtained the national patent right. In 1997, Mr. Wu was awarded the Bi Sheng Award, the highest prize for the printing industry in the PRC.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT STAFF

(II) PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE LAST FIVE YEARS: *(Continued)*

- (9) **Hu Kuangzuo**, from the Hong Kong Special Administrative Region, aged 60, an independent non-executive director, Chairman of the Nominee Committee, a member of the Remuneration and Monitoring Committee and a practicing lawyer. Mr. Wu graduated from the Faculty of Law at the University of Hong Kong.. He dealt with legal and labour affairs in the Legal Department and Judicial Department of the Hong Kong Government. He worked as a practicing lawyer from 1988 to 2001, dealing with legal matters such as corporate finance and mergers and acquisitions. From 1991, he acted as executive directors for a number of companies such as North Sea Group Co., Ltd. (a Hong Kong listed company), Capital Citybus Limited (a British public bus company), etc., and has over 10 years' experience in corporate finance, project planning, corporate management, etc. He currently focuses on investment management business and is an executive director of New Ocean Green Energy Holdings Ltd. (a Hong Kong listed company) and Prime CCIF Capital Limited as well as an executive member of the Shenzhen Association for Sino-foreign Entrepreneurs.
- (10) **Li Yijing**, Chinese nationality, aged 55, an independent non-executive director, Chairman of the Audit Committee, a member of the Remuneration and Monitoring Committee, a postgraduate and a certified accountant. She was once a teacher in the Party's School of Beijing Construction Materials Bureau, a Supervisor and Deputy Headmaster of the Research Office of the Party's School of Beijing Mechanical Bureau and Deputy Chief Accountant of Beijing Zhongpingjian Accountants Firm. She has been a delegate to the 10th National People's Congress of Beijing since 1998 and a member of the 7th Beijing Municipal Committee of the Association for China Democratic Foundation since 1997.
- (11) **Shi Tiantao**, Chinese nationality, aged 44, an independent non-executive director, a member of the Nomination Committee and the Remuneration and Monitoring Committee and a doctorate in laws. He is currently a professor and a tutor of doctorate candidates in School of Law of Tsinghua University, and a standing council member of the Society of China Commercial Laws. Mr. Shi has been engaged in teaching and research of corporate law, securities law and finance law. He was a visiting researcher in East Asia Politics and Economics Institute (Singapore) in 1995 and a visiting professor in School of Law of Stanford University in 2001-2002.
- (12) **Xiao Maolin**, Chinese nationality, aged 57, Chairman of the Supervisory Committee, a postgraduate and an economist. Mr. Xiao has been Secretary to the Party Committee of Beiren Group Corporation and Chairman of Supervisory Committee of Beiren Printing Machinery Holdings Ltd since 1998. He has over 20 years' experience in corporate management.
- (13) **Xue Kexin**, Chinese nationality, aged 41, a Supervisor, a postgraduate and an economist. Mr. Xue was an Assistant to the Director of Production and Technical Safety Office of the Company and an Assistant to the Factory Manager of Multi-coloring Press Factory. He is currently the Manager of Corporate Management and Operation Department of the Company. He has been engaged in production and strategic management and financial analysis for a long period of time. He has rich corporate management experience and financial analysis capabilities.
- (14) **Tian Furen**, Chinese nationality, aged 58, a Supervisor, a secondary technical graduate and a senior technician. Mr. Tian has been working in Beiren for 30 years. He has been a model worker of the Company and has been a staff representative for a long period of time. He has rich experience in handling and maintaining welfare benefits of staff and in the application and knowledge of the legislation
- (15) **Zhang Peiwu**, Chinese nationality, aged 43, a postgraduate in printing mechanics, a senior economist. Mr. Zhang was the assistant to General Manager of Beiren Group Corporation and served concurrently as the General Manager of Operation and Sales Company. He has been the General Manager of the Company since August 2006. He has years of experience in marketing and administration.
- (16) **Rong Peimin**, Chinese nationality, aged 55, Secretary to the Board of Directors, a postgraduate and a senior economist. Madam Rong was the Chief of Secretariat of the Board of Directors of the Company in 1997. She had been a secretary to the Board of Directors from 1999 to 2006. She has a number of years' experience in corporate management and is experienced in the application and knowledge of the legislation for domestic and overseas listed companies.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT STAFF

(III) POSITIONS IN SHAREHOLDER ENTITIES

Name	Name of shareholder entity	Position(s)	Date of appointment	End of appointment	Whether receiving an remuneration or allowance
Wang Guohua	Beiren Group Corporation	Chairman of the Board	2006-08-16		No
Lu Changan	Beiren Group Corporation	General Manager	2000-03-21		Yes
Yu Baogui	Beiren Group Corporation	Chairman of the Labour Union	2000-03-21		Yes
Xiao Maolin	Beiren Group Corporation	Secretary to the Disciplinary Committee and Deputy Secretary to the Party Committee	2000-03-21		Yes

(IV) POSITIONS IN OTHER ENTITIES

Name	Name of entity	Position(s)	Date of appointment	End of appointment	Whether receiving an remuneration or allowance
Wang Guohua	Beijing Mechatronics Holding Company Limited	Deputy General Manager	2006-08-16		Yes (from September 2006 to December 2006)
Deng Gang	Beijing Mechatronics Holding Company Limited	Head of Human Resources Department	2005-01-01		Yes

(IV) REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- Decision making process of remuneration of directors, supervisors and senior management: proposal is made by Remuneration and Monitoring Committee of the Board, considered and approved by the Board and reported to the general meeting through the Board for consideration and approval.
- Basis for determination of remuneration for directors, supervisors and senior management: it is determined in accordance with the annual average salary of respective directors, supervisors and senior management, including the three levels of high, medium and low in the same industry, and the annual salary standard of the listed companies overseas, together with responsibilities, working hours, working missions and outstanding contributions of related persons of the Company.
- Directors and supervisors whose remunerations were not paid by the Company

Name of director or supervisor whose remuneration was not paid by the Company	Whether remunerations were paid by shareholder entities or other related entities
Wang Guohua	Yes
Lu Changan	Yes
Yu Baogui	Yes
Deng Gang	Yes
Xiao Maolin	Yes

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT STAFF

(VI) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Reason of leaving
Wang Guohua	Chairman of the Board	Position change, new position
Wang Guohua	General Manager	Position change, resignation from the office as General Manager
Zhu Wuan	Chairman of the Board	Position change, resignation from the office as General Manager
Zhang Peiwu	General Manager	Position change, new position

During the reporting period, at the ninth meeting of the Fifth Board of Directors, the proposal for changing Chairman of the Board was considered and approved. At the meeting, for replacement and smooth takeover of the new and the old leadership, the Board of Directors of the Company approved the resignation of Mr. Zhu Wuan from the office as Chairman of the Board of Directors, the appointment of Mr. Wang Guohua as Chairman of the Board of Directors and the resignation of Mr. Wang Guohua from the office as General Manager of the Company, and the appointment of Mr. Zhang Peiwu as the General Manager.

(VII) DETAILS OF THE STAFF

At the end of the reporting period, the Company had 2,760 staff and 2,201 retired staff who incurred expenses of the Company. The structure of staff is as follows:

1. Professional

Professional type	Number of persons
Production staff	1,618
Sales staff	135
Technical staff	314
Financial staff	52
Management staff	329
Others	312

2. Educational Background

Education level	Number of persons
Master's degree	38
Undergraduates	727
Secondary technical graduates	983
Others	1,012

CORPORATE GOVERNANCE AND GOVERNANCE REPORT

(I) CORPORATE GOVERNANCE

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

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

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

(II) DUTY PERFORMANCE OF INDEPENDENT DIRECTORS

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

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

2. Objections from independent directors to matters of the Company

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

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

- (1) Business: The Company has complete business structure with capability of carrying out its business independently. The Company and controlling shareholder do not have businesses competing with each other. The controlling shareholder does not directly or indirectly interfere with the operation of the Company.
- (2) Personnel: The Company is independent of the controlling shareholder with respect to labour, personnel and salaries management. Senior management members including the general manager, deputy general managers and the secretary to the Board of Directors receive their remunerations in the Company.
- (3) Assets: the Company has independent and complete systems for production, supply and sales, and the ancillary facilities.
- (4) Organisation: The Company has established a complete organisation structure. The Board of Directors, the Supervisory Committee and other internal organisations carried out their operations independently.
- (5) Finance: The Company has established an independent finance department and an independent finance and accounting system. The Company has implemented a complete financial management system with separate bank accounts.

(IV) APPRAISAL AND MOTIVATION MECHANISM FOR SENIOR MANAGEMENT

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



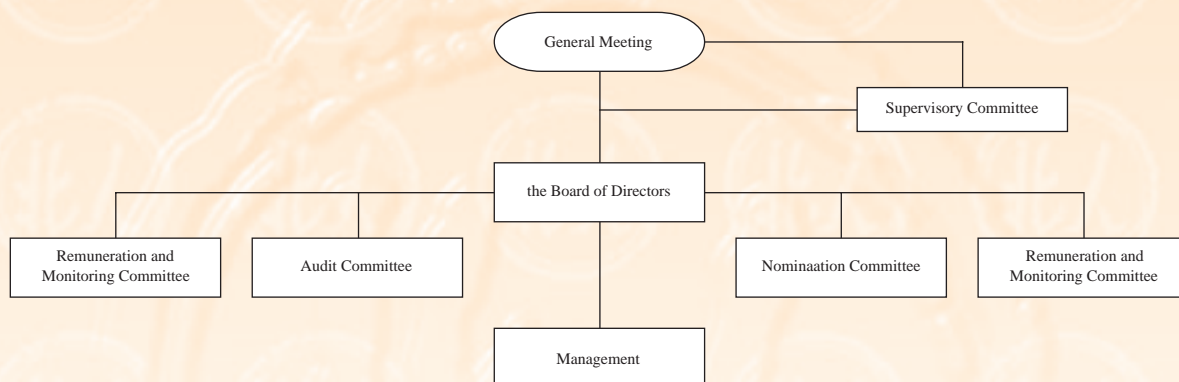
(V) CORPORATE GOVERNANCE REPORT

The directors of the Company think that corporate governance is crucial to the success of the Company; therefore, the Company adopts various measures to guarantee high-quality corporate governance.

The documents related to corporate governance of the Company include the Articles of Association, Rules of Procedure for the General Meeting, Rules of Procedure for the Board of Directors, Rules of Procedure for the Supervisory Committee. To achieve highest level of corporate governance, the Board of Directors of the Company has set up four special committees, namely the Strategic Development Committee, the Audit Committee, the Remuneration and Monitoring Committee and the Nomination Committee.

During the reporting period, the Company was in compliance with all the provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The chart for corporate governance structure of the Company is as follows:



1. Directors and Composition of the Board of Directors

The Board of the Company consists of 11 directors, including 4 executive directors, 3 non-executive directors, and 4 independent non-executive directors accounting for more than one third of the total members of the Board.

The directors in the Board of Directors are as follows:

Executive directors:

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

Non-executive directors:

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

Independent non-executive directors:

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

The executive directors and non-executive directors of the Company have extensive experience in production, operation and management and make reasonable decisions in respect of the matters proposed by the Board. Among the 4 independent non-executive directors, one is a fellow member in printing industry, one is an accountant with years' experience in accounting, one is a professor and Doctors' Tutor in Tsinghua University with accomplishments in law, the other has the qualification of being Hong Kong lawyer and has extensive experience in law and corporate operation and management. Such independent non-executive directors have abilities of assessing internal control and reviewing financial report. The composition of the Board was in full compliance with the requirements of the relevant domestic and overseas laws and regulations and standardized documents.

(V) CORPORATE GOVERNANCE REPORT (Continued)

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

During the reporting period, as is aware of the Board, there is no connection among the directors (including the Chairman and the General Manager) that is discloseable with respect to finance, business, relatives or other relevant matters.

The company has strictly complied with relevant restriction stipulations for securities transactions by directors set out by domestic and Hong Kong regulatory authorities.

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

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

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

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

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

3. Chairman and General Manager

The Chairman and the General Manager of the Company are assumed by different persons, and their respective duties are divided clearly.

The Chairman, the legal representative of the Company, is elected by more than half of all directors of the Board. The Chairman is responsible for corporate planning and strategic decision-makings and chairing the Board, so as to ensure that the Board duly considers and approves all involved matters and the Board runs efficiently.

The Chairman is entitled to preside over the general meetings, to convene and chair the Board meetings, to check the implementation of resolutions of the Board, and to sign the securities issued by the Company and other important documents. As authorised by the Board, the Chairman can also chair the general meetings and provide guidance to the Company's important business activities during the adjournment of the Board meetings.

The General Manager is appointed by the Board and reports to the Board. The General Manager commands the management to take in charge of daily production, operation and management of the Company and implementation of all resolutions of the Board. As required by the Board or the Supervisory Committee, the General Manager will report to the Board or the Supervisory Committee the entering into and implementation of significant contracts, and the utilisation of funds and the profit and loss.

4. Executive Directors and Non-executive Directors

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

CORPORATE GOVERNANCE AND GOVERNANCE REPORT

(V) CORPORATE GOVERNANCE REPORT (Continued)

5. Performance of duties by independent non-executive directors

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

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

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

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

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

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

6. Power of the Board of Directors and senior management

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

To convene shareholders' general meetings and implement resolutions passed thereat;

To formulate the annual operating plan and material investment plan of the Company;

To determine the financial budget, profit distribution plan, basic management mechanism and material acquisition or disposal plan of the Company;

To appoint or dismiss the Company's general manager and to appoint or dismiss the Company's senior management members including the deputy general manager and the financial controller based on nominations by the general manager;

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

To consider the management's report;

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



Beijing Top 100 Enterprises 2006.



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



China Top 500 Machinery Manufacturer 2006

(V) CORPORATE GOVERNANCE REPORT (Continued)

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

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

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

Strategic Development Committee

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

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

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

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

Audit Committee

The power of the Audit Committee was formulated in accordance with advice in Guide for Effective Operation by Audit Committee issued by Hong Kong Institute of Certified Public Accountants, Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and Standard of Corporate Governance for PRC Listed Companies issued by CSRC. Its major duties are to review and examine the quality and procedure of the financial reporting of the Group, to review the completeness and effectiveness of the internal control system of the Company, to appoint independent auditors, coordinate their work and review the quality and efficiency of their work, and, lastly, to review all written reports by internal auditors and the management's feedback on such reports.

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

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

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

(V) CORPORATE GOVERNANCE REPORT (Continued)

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

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

Remuneration and Monitoring Committee

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

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

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

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

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

Nomination Committee

The principal duties of the Nomination Committee are to work over and hence give its opinion on candidates and, election standard and procedures for directors and the senior management.

The Nomination Committee comprises three directors. During the reporting period, the Nomination Committee convened one meeting.

The nomination process, recommendation procedure and qualification and basic requirements for directors are set out in the Articles of Association and by-laws of the Company. During the reporting period, the Nomination Committee supervised and guided the proposal for changing Chairman of the Board and the General Manager and the task was completed successfully.

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

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

(3) The management of the Company undertakes the following duties as stipulated in the Articles of Association:

To arrange and implement the Company's operating plan and investment plan;

To propose the establishment for internal management institutions of the Company;

To propose the basic management mechanism for the Company;

To appoint or dismiss other management members whose appointment and dismissal are not subject to the Board of Directors;

To formulate basic rules for the Company.

(V) CORPORATE GOVERNANCE REPORT (Continued)

7. Auditors' remuneration

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

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

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

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

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

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

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

9. Internal control and internal audit

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

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

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

(V) CORPORATE GOVERNANCE REPORT *(Continued)*

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

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

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

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

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



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

INTRODUCTION TO THE ANNUAL GENERAL MEETING

(I) ANNUAL GENERAL MEETING

1. On 27 June 2006, the Company convened the 2005 Annual General Meeting, announcement of resolutions passed at which was published on Shanghai Securities News, Hong Kong Economic Times and The Standard on 28 June 2006.

(1) At the meeting, the following proposals were considered and approved by way of ordinary resolutions:

- 1). 2005 Board of Directors' Work Report;
- 2). 2005 Supervisory Committee's Work Report;
- 3). 2005 Audited Financial Statements;
- 4). 2005 Profit Distribution Plan;
- 5). Re-appointment the Company's domestic and overseas auditors respectively.

(2) At the meeting, the following proposals were considered and approved by way of special resolutions:

- 6). Amendments to the Articles of Association;
- 7). Amendments to Rules of Procedures for the General Meeting;
- 8). Amendments to Rules of Procedures for the Board of Directors;
- 9). Amendments to Rules of Procedures for the Supervisory Committee;
- 10). Granting the general mandate to issue new H shares;
- 11). Granting the general mandate to repurchase H shares of the Company.

(II) EXTRAORDINARY GENERAL MEETING

1. The first Extraordinary General Meeting:

On 20 March 2006, the Company convened an Extraordinary General Meeting related to 2006 Share Segregation Reform for A shares market, resolutions of which were published on Shanghai Securities News on 21 March 2006. At the meeting, the Share Segregation Reform Proposal of Beiren Printing Machinery Holdings Limited were considered and approved.

2. The second Extraordinary General Meeting:

On 27 June 2006, the Company convened an Extraordinary General Meeting for holders of domestic shares, resolutions of which were published on Shanghai Securities News, Hong Kong Economic Times and The Standard on 28 June 2006. At the meeting, the proposal of Granting the General Mandate to Repurchase H Shares of the Company was considered and approved.

3. The third Extraordinary General Meeting:

On 27 June 2006, the Company convened an Extraordinary General Meeting for holders of H shares, resolutions of which were published on Shanghai Securities News, Hong Kong Economic Times and The Standard on 28 June 2006. At the meeting, the proposal of Granting the General Mandate to Repurchase H Shares of the Company was considered and approved.



CHAIRMAN'S REPORT



Chairman
Wang Guohua

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 taken 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 forward 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.

(I) REVIEW (Continued)

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.
- (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 RMB10,000,0000 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.

CHAIRMAN'S REPORT

(II) PROSPECT (Continued)

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.

By order of the Board
Wang Guohua
Chairman

24 April 2007



On 17 September 2006, Mr. Wang Guohua, Chairman of the Company, delivered a speech in BEIREN300 customer conference cum product presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) OPERATING OF THE COMPANY DURING THE REPORTING PERIOD

1. Scope and status of principal operations

(1) Scope of principal operations during the reporting period

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

2. Explanations on the operating of principal operations

In accordance with PRC accounting standard, the Company recorded principal operating income of Rmb961,584,200, representing an decrease of 3.4% as compared with the previous year. Net profit was Rmb87,894,800, representing a decrease of 280.15% as compared with the previous year. Loss per share was Rmb0.21. In accordance with Hong Kong accounting standard, turnover amounted to Rmb966,076,700 representing an decrease of 2.28% from the previous year. Net profit amounted to Rmb119,793,800, representing an decrease of 5.26% over last year. Loss per share was Rmb0.24.

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

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

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

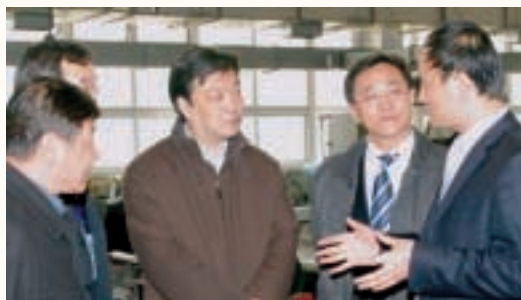
1. Compensation for dismissal qualified to be recognised as accrued liabilities

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

2. Income tax

Under the existing accounting standards, enterprise income tax is accounted for using payable taxation method. Under the new accounting standards, enterprises income tax is accounted for using liabilities method through balance sheet, where deferred income tax assets and liabilities are also recognised. Under the new accounting standards, deferred income tax assets of Rmb2,776,288.28 are recognised, which increased the combined profit as at 1 January 2007 by Rmb2,776,288.28, of which, Rmb2,201,343.25 are attributable to the retained profit and Rmb574,945.03 to minority interest.

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



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



MANAGEMENT DISCUSSION AND ANALYSIS

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

3. Minority interests

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

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

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

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

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

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

1. In accordance with the new "Accounting Standards for Business Enterprises No. 2 - Long-term Investment", the Company's subsidiaries, which are accounted for using the equity method under the existing accounting standards, are accounted for using the cost method. This change will have an impact on the Company profit and loss account for the current period but will not affect the Company's consolidated financial statements.
2. In accordance with the new "Accounting Standards for Business Enterprises No. 3 - Property held for investment", property held for investment is measured using cost method.
3. In accordance with the new "Accounting Standards for Business Enterprises No. 6 - Intangible Assets", intangible assets with uncertain use lives are no longer be amortised instead of the previous practice of amortisation on straight-line basis.
4. Previously, all the research and development expenditures for internal R&D projects are charged into the profit and loss account for the current period. In accordance with the new "Accounting Standards for Business Enterprises No. 6 - Intangible Assets", research expenditures are charged into the profit and loss account for the current period as incurred, whereas development expenditures which meet certain conditions can be capitalised and recognised as intangible assets.
5. In accordance with the new "Accounting Standards for Business Enterprises No. 9 - Salary", no provision for welfare payable will be made, which is instead included in relevant costs and expenses respectively according to actual payment and the beneficiary of employee services. In accordance with the new "Accounting Standards for Business Enterprises No. 38 - First Time Adoption of Accounting Standards", the Company's balance of the original welfare payable in book will be transferred to the employee's, salary payable on the first adoption date. During the first accounting period commencing from the first adoption date, the Company will confirm the "Salary payable - employee welfare" based on the actual situation and the employee's, welfare plan. For the difference between the amount and the previously amount transferred to "Salary payable - employee welfare", the Company will adjust management expenses in accordance with the regulations. The change in the said policy is expected to affect the Company's profit onward.
6. In accordance with the new "Accounting Standards for Business Enterprises No. 8 - Provision for impairment of assets", provisions for impairment of long-term equity investment, fixed assets, intangible assets and so on will no longer be reversed during the future accounting periods.
7. In accordance with the new "Accounting Standards for Business Enterprises No. 8 - Government subsidy", government subsidy which are included into profit and loss account for the current period under the existing accounting standards will be classified as those related to assets which are included in deferred income to be credited in profit and loss account over relevant periods, and those related to income which are directly credited to profit and loss account for the current period.

MANAGEMENT DISCUSSION AND ANALYSIS



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

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

8. Previously, only interests on special borrowings which are incurred for acquisition of fixed assets before they are brought into usable conditions can be capitalised. In accordance with the new "Accounting Standards for Business Enterprises No. 8 - Borrowing expenses", expenses on all special borrowings and general borrowings qualified for capitalisation can be capitalised.
9. In accordance with the new "Accounting Standards for Business Enterprises No. 18 - Income Tax", income tax which was previously accounted for using the tax payable method is accounted for using liabilities method through balance sheet. In case of difference between carrying amount of tax assets or liabilities and the reverent tax base, deferred income tax assets or deferred income tax liabilities are recognised under the new standards.
10. In accordance with the "Accounting Standards for Business Enterprises No. 33 - Consolidated financial statements", net profit or loss of subsidiaries for the current period attributable to minority interests are presented in "Profit or loss from minority interests" under net profit in consolidated income statement, and shareholders' equity of subsidiaries attributable to minority interests are presented in "Minority interests" under shareholders' equity in consolidated balance sheet.

(II) THE PRINCIPAL OPERATIONS AND ITS OPERATING STATUS

1. Principal operations by sectors or products

Unit: Rmb

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

2. Principal operations by geographical location

Unit: Rmb

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

3. Operating and results of subsidiaries

Unit: Rmb

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

4. Major suppliers and customers

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

(III) INVESTMENT

1. Use of proceeds

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

2. Projects financed by non-raised fund

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

1. Operating results (prepared under PRC accounting standards)

- (1) The Company incurred loss for the first time in 2006. Operating profit decreased by 329.4% from last year. Of which, principal operating profit decreased by 23.93% due to the decrease of 3.4% in principal operating income and the increase of 3.98% in the principal operating cost. Other operating profit decreased 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 principal operating profit (prepared under PRC accounting standards)

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

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

3. Period expense

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

4. Income from Investment

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

5. Non-operating income and expenses

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

6. Analysis of assets, liabilities and equity interests

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

8. Bank loans

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

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

9. Exchange Risk Management

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

(VI) PRINCIPAL SOURCE AND UTILIZATION OF FUND

1. Cash flows from operating activities

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

2. Cash flows from investment activities

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

3. Cash flows from fund-raising activities

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(VII) CAPITAL STRUCTURE

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

Capital structure by liquidity:

	Rmb'000	
Total current liabilities	92,147.29	Percentage in the capital
Total equity interest	116,571.06	Percentage in the capital
of which: minorities interest amounted to RMB45,887,100, accounting for 2.15% of the capital.		

(VIII) CONTINUING LIABILITY

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

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

1. Cash and cash balances decreased by 17.9% compared with beginning of the year, mainly as a result of the increased proportion of the Company.
2. Bills receivable decreased by 55.87% compared with the beginning of the year, mainly due to the reduction of acceptance bills received after collection of receivables was accelerated.
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 term 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 previous 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.



BOARD OF DIRECTORS' REPORT

(I) DETAILS OF MEETINGS AND RESOLUTIONS

1. The 5th meeting of the fifth Board was convened on 20 March 2006, at which the proposal for application to banks for entrusted loans was considered and approved.
2. On 29 March 2006, the 6th meeting of the fifth Board was convened, at which, the establishment of Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited jointly invested by the Company and Mitsubishi Heavy Industries, Ltd. was considered and approved; and the amount of credit line for bank loans was considered and approved to be Rmb300,000,000.
3. On 20 April 2006, the 7th meeting of the fifth Board was convened, at which, the following proposals were considered and approved: 1. the 2005 Annual Report and its summary; 2. the Board of Directors Work Report for 2005; 3. the 2005 Annual Financial Report; 4. the reappointment of the accountants; 5. the profit distribution plan for 2005; 6. the 2006 Budget Report; 7. provisions for assets impairment for 2005; 8. the 2005 General Meeting; 9. the extension of issuing H shares by one year; 10. the repurchase of H shares; 11. the amendments to The Articles of Association and its appendixes Rules of Procedures for the General Meeting and Rules of Procedures for the Board of Directors. The resolutions of the meeting were published on Shanghai Securities News, Hong Kong Economic Times and The Standard on 21 April 2006.
4. On 26 April 2006, the 8th meeting of the fifth Board was convened, at which, the 2006 First Quarterly Report was considered and approved, and the Company estimated a significant decrease in the business results for the first half year. The resolutions of the meeting were published on Shanghai Securities News, Hong Kong Economic Times and The Standard on 27 April 2006.
5. On 24 August 2006, the 9th meeting of the fifth Board was convened, at which, the 2006 Interim Report and its summary was considered and approved, the proposal of provisions for impairment was considered and approved, and the Company estimated a significant decrease in the business results for the third quarter of the year. The resolutions of the meeting were published on Shanghai Securities News, Hong Kong Economic Times and The Standard on 25 August 2006.
6. On 26 October 2006, the 10th meeting of the fifth Board was convened, at which, the 2006 Third Quarterly Report was considered and approved, and the Company estimated a significant decrease in the annual business results for 2006, and the proposal of changing directors in the subsidiaries was considered and approved. The resolutions of the meeting were published on Shanghai Securities News, Hong Kong Economic Times and The Standard on 27 October 2006.
7. On 28 December 2006, the 11th meeting of the fifth Board was convened, at which the authorization of signing the e-submission system on Hong Kong Exchanges and Clearing Limited was considered and approved.

(II) IMPLEMENTATION OF THE RESOLUTIONS OF THE ANNUAL GENERAL MEETING BY THE BOARD OF DIRECTORS

1. Implementation of the Share Segregation Reform: On 20 March 2006, the Share Segregation Reform Proposal was considered and approved at the Extraordinary General Meeting related to Share Segregation Reform for A shares market, and as at the end of the reporting period, the reform had been completed, announcement of which was published on Shanghai Securities News on 21 March 2006.
2. The 2005 Profit Distribution Plan of the Company was considered and approved at the 2005 Annual General Meeting and was implemented. The announcements regarding dividend distribution for A Shares and H Shares were published in Shanghai Securities News, Hong Kong Economic Times and The Standard on 28 June 2006 and 8 August 2006 respectively. The date of dividend distribution was 18 August 2006 and the dividend before taxation was Rmb0.07 per share.

(III) PROFIT DISTRIBUTION PLAN OR PLAN TO CONVERT SURPLUS RESERVES INTO SHARE CAPITAL

As at 31 December 2006, the undistributed profit of the Company was Rmb139,909,400. As approved at the 2005 General Meeting, the Company declared a cash dividend of Rmb29,540,000, with the remaining profit of Rmb110,369,400 undistributed. The Company realized a net profit of Rmb-87,894,800 during the reporting period; the net undistributed profit was 22,474,600 via the undistributed profit at the beginning of the year less the loss in 2006. In accordance with the section of Employees' Remuneration under the new accounting rules effective from 1 January 2007, as at the first implementation date, the undistributed profit must deduct the remuneration for the employees' who early retired in the previous years, and the profit to be distributed to shareholders would be small after this adjustment under the new accounting rules. In view of the above, the Board did not recommend to distribute profit and to transfer capital reserve to share capital for 2006.

(IV) FIXED ASSET

Movements in fixed assets for the year are set out in the accounts prepared under accounting principles generally accepted in Hong Kong ("HK GAAP") and the notes to financial statements prepared under PRC accounting standards.

(V) CONSTRUCTION IN PROGRESS

Particulars and movements in construction-in-progress for the year are set out in the accounts prepared under HK GAAP and the notes to the financial statements prepared under PRC accounting standards.



BOARD OF DIRECTORS' REPORT

(VI) INVESTMENTS IN SUBSIDIARIES

Particulars of subsidiaries are set out in the accounts prepared under HK GAAP.

(VII) INTERESTS IN ASSOCIATES

Particulars of associates are set out in the accounts prepared under HK GAAP.

(VIII) OTHER ASSETS

Particulars of other assets are set out in the accounts prepared under HK GAAP.

(IX) RESERVES

Movements in reserves for the year are set out in the accounts prepared under HK GAAP and in the notes to the financial statements prepared under PRC accounting standards.

(X) BANK LOANS

Bank loans as at 31 December 2006 are set out in notes to the financial statements prepared under PRC Accounting Standards.

(XI) THE COMPANY'S PENSION PLANS

In accordance with the relevant regulations to the State Council's Decisions Regarding Reform of the Employee Retirement Insurance Scheme, the Company is required to pay to the Chinese government an amount equivalent to 20% of total amount of salary as the basic contribution to the Employee Retirement Insurance Scheme. In 2006, a total amount of Rmb21,930,300 was contributed to the Employee Retirement Insurance Scheme. Apart from the said contribution, the Company has no other commitments or liabilities related to pensions.

(XII) CONNECTED TRANSACTIONS

- (1) Please refer to the notes to the accounts prepared under HK GAAP and the notes to the financial statements prepared under PRC accounting standards for the particulars of connected transactions during the year.
- (2) Each independent non-executive director confirmed that all the connected transactions were entered into on normal commercial terms in ordinary and usual course of business of the Group and its member companies. All the terms were either normal business terms or were not less favourable than the preferential treatments offered to the third parties, and were fair and reasonable as far as the Company's shareholders were concerned.

(XIII) CODE ON CORPORATE GOVERNANCE PRACTICES

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.

(XIV) STAFF QUARTERS

The Company didn't sell any public housing flats to staff during the year of 2006. In accordance with the policy of the State, the Company contributed to the public housing fund on the basis of 10% of the average monthly salary of the existing employees for the previous year, which did not had any significant impact on the Company's results. In accordance with the spirit of the "(2000) Jing Fang Gai Ban, Zi Document No. 080" Notice in relation to issues of the Increase in Beijings Public Housing Rents and Allowances issued by the Housing Reform Office of Beijing Municipal Government, Beijing Financial Bureau and Commodity Price Bureau of Beijing, Beijing State Land Resources Bureau, Housing Administration Bureau, and integrating with the Company's actual situation, the Company provided a housing allowance of Rmb70 to Rmb80 per month to its staff starting from 1 April 2000 onwards.

(XV) EMPLOYEE'S BASIC MEDICAL INSURANCE

Since October 2001, the Company has carried out Provisions regarding Beijing Basic Medical Insurance, and implemented employee's basic medical insurance system in accordance with the provisions. Medical expenses for former and retired employees are paid out of staff welfare funds and administrative expenses separately. After carrying out new provisions, the Company is required to pay basic medical insurance calculated as 9% of employees' total wages, in which 4% is paid out of cost expense and 5% is paid out of staff welfare fund; Material medical expenses for mutual help, calculating on the basis of 1% of employees' total wages, shall be paid out of the welfare fund; Provision of supplementary medical insurance shall be prepared on the basis of 4% of employees' total wages for the medical expenses in accordance with supplementary qualifications on reimbursement of medical insurance set out in Provisions regarding Beijing Basic Medical Insurance. No change has been made to the provision standard of employees' welfare fund, which still calculated as 14% of total wages of existing employees. Such provision was still carried out in 2006.

(XVI) ANNUAL GENERAL MEETING

The Board of Directors has fixed the date of Annual General Meeting on 18 June 2007.

(XVII) THE COMPANY DESIGNATED THE FOLLOWING NEWSPAPERS FOR DISCLOSURE OF INFORMATION FOR 2006: SHANGHAI SECURITIES NEWS, HONG KONG ECONOMIC TIMES AND THE STANDARD.



SUPERVISORY COMMITTEE'S REPORT

(I) WORK OF THE SUPERVISORY COMMITTEE

The Supervisory Committee convened 4 meetings in total in 2006

1. The 1st meeting of the Supervisory Committee was held at the Conference Hall of the Company on 20 April 2006, at which:

The 2005 Work Report of the Supervisory Committee was considered and approved and submitted to 2005 Annual General Meeting for considering;

The 2005 Annual Report of the Company and its summary were considered and approved; the 2005 audited financial statements and the provision for impairment loss proposed by the Board were considered and approved;

The 2005 Profit Distribution Plan was considered and approved;

The Rules of Procedures for Supervisory Committee Meeting was considered and approved and submitted to General Meeting as an attachment of Articles of Association for considering

2. The 2nd meeting of the Supervisory Committee was held at the Conference Hall of the Company on 26 April 2006, at which:

The 2006 First Quarterly Report was considered and approved.

3. The 3rd meeting of the Supervisory Committee was held at the Conference Hall of the Company on 24 August 2006, at which:

The 2006 Interim Report and its summary was considered and approved;

The 2006 interim unaudited financial statements and the provision for impairment loss proposed by the Board were considered and approved;

4. The 4th meeting of the Supervisory Committee was held at the Conference Hall of the Company on 26 October 2006, at which:

the 2006 Third Quarterly Report and its summary was considered and approved;

(II) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON OPERATING IN COMPLIANCE WITH LAWS BY THE COMPANY

The Supervisory Committee is of the view that the work of the Board during the reporting period strictly complied with the provisions of Company Law, Securities Law, the Listing Rules, Articles of Association of the Company and other relevant laws and regulations, and the Board of Directors worked in a diligent manner. The material decisions of the Company were scientific and reasonable and the procedures of decisions were lawful and effective. Meanwhile, the Company established and improved its internal management and control system. The directors, the General Manager and other senior management members of the Company were able to carry out their duties earnestly, in strict compliance with the principle of honesty and in the best interests of the Company. There had been no violation of the laws, regulations nor abuse of rights in performing their duties or behavior in detrimental to the interests of the Company.

SUPERVISORY COMMITTEE'S REPORT

(III) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON REVIEW OF THE COMPANY'S FINANCIAL POSITION

The Supervisory Committee is of opinion that the 2006 financial report reflected objectively the financial position and operating results of the Company. The Supervisory Committee has diligently reviewed the Financial Statements and other accounting data of the Company and is of the opinion that the income and expenditure were clearly stated in the accounts of the Company, and that accounting and accounting management complied with the relevant provisions, and there was no problem found. Deloitte Touche Tohmatsu of Hong Kong and Deloitte Touche Tohmatsu CPA LTD 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. The Supervisory Committee considers that the auditors' reports give true view on the financial status, operating results and cash flows conditions of the Company and that the auditors' reports are fair, objective, true and reliable.

(IV) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON USE OF THE LAST RAISED PROCEEDS

The last proceeds of the Company were raised at the end of 2002 and used up as at 31 March 2003. The actual projects financed by the proceeds were consistent with the undertaken investment projects without change.

(V) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON ACQUISITION AND DISPOSAL OF ASSETS OF THE COMPANY

The Company had no material acquisition and disposal of assets during the reporting period.

(VI) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CONNECTED TRANSACTIONS OF THE COMPANY

The Company had no material connected transactions during the reporting period.

Members of the Supervisory Committee attended 7 Board of Directors' meetings and all shareholders' general meeting in the year of 2006, and during the meetings exercised supervision over whether the resolutions of the Board and the general meetings complied with the laws, regulations of the PRC and the Company's Articles of Association and whether in the lawful interests of shareholders of the Company. The Supervisory Committee considers that the Company's Board of Directors was strictly conscientious in carrying out their duties in accordance with the resolutions passed at the general meetings.

During the reporting period, there has been no matter needing negotiated by supervisors on behalf of the Company with the Board nor proceedings against the directors.

Xiao Maolin
Chairman of the Supervisory Committee

24 April, 2007



MAJOR EVENTS

(I) MATERIAL LITIGATION AND ARBITRATION

During the year, the Company was not engaged in any material litigation or arbitration.

(II) ACQUISITION AND DISPOSAL OF ASSETS AND MERGERS OF THE COMPANY DURING THE REPORTING PERIOD

During the year, the Company had no event concerning acquisition and disposal of assets and mergers.

(III) MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY DURING THE REPORTING PERIOD

During the year, the Company had no material connected transactions.

(IV) CONNECTED TRANSACTIONS RELATED TO DAY-TO-DAY OPERATION

1. 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	

2. 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	

MAJOR EVENTS

(IV) CONNECTED TRANSACTIONS RELATED TO DAY-TO-DAY OPERATION (Continued)

3. Connected debts and liabilities

Unit: 10,000Rmb

Name of connected party	Connection	Capital provided to connected parties		Amount of the appropriated funds	Capital provided to the Company by connected parties	
		Incurred amount	Balance		Incurred amount	Balance
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
Xian Beiren Beifu Printing Machinery Sales Company Limited		-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 amount 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.

(V) CUSTODY

During the year, the Company had no custody.

(VI) CONTRACTING

During the year, the Company had no contracting.

(VII) LEASES

During the year, the Company had no leases.

(VIII) GUARANTEES

During the year, the Company had no guarantees.

(IX) ASSET MANAGEMENT ON TRUST

During the year, the Company had no asset management on trust.



MAJOR EVENTS

(X) OTHER MATERIAL CONTRACTS

During the year, the Company had no other material contracts

(XI) PERFORMANCE OF UNDERTAKINGS

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.

(XII) THE PUNISHMENTS AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS OF THE COMPANY AND BENEFICIAL CONTROLLERS

During the reporting period, none of the Company and its Board and directors was subject to checks, administrative punishments, public criticism by CSRC. Nor were they publicly reprimanded by the stock exchange.

(XIII) DEPOSITS AND LOANS

The deposit of Rmb5 million was placed with China Venturetech Investment Company had been liquidated as at 31 December 2006, of which Rmb3,898,500 was recovered and Rmb1,101,500 became bad debts. The deposit of Rmb5 million placed with Ying Peng Cooperative Credit Union, Bai Yin, Gansu Province was not recovered and were in the process of liquidation by relevant authorities. The deposit represents approximately 0.4% of the Company's net assets and hence will cause no material effect to the Company's operations. The Company has made a provision for the loss amounting to Rmb5 million.

(XIV) THE 15% INCOME TAX RATE OF THE COMPANY DOES NOT INCLUDE ANY INSTANCES OF "FIRST PAYING TAXES, THEN RECEIVING REBATES" FOR THE COMPANY.

(XV) THE 2006 FINANCIAL REPORT HAS BEEN REVIED AND CONFIRMED BY THE AUDIT COMMITTEE UNDER THE BORAD OF DIRECTORS

(XVI) OTHER MAJOR EVENTS

The events concerning additional issue of H shares and repurchase of H shares haven't been completed in the reporting period and will be lasted to next reporting period.



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



FINANCIAL STATEMENTS

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

FINANCIAL STATEMENTS

	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
		1,142,674	1,291,768
Equity attributable to equity holders of the Company		50,280	51,029
Minority interests			
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



FINANCIAL STATEMENTS 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												Total
	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	
	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

FINANCIAL STATEMENTS

	2006 RMB'000	2005 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 recognised 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 derecognised.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2006

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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.

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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%.

- 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%.
- 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%.
- 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

	Buildings in PRC RMB'000	Leasehold property in Hong Kong RMB'000	Plant and machinery RMB'000	Property, plant and equipment 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 RMB'000	2005 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 the 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 not available, 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 RMB'000	2005 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
	<hr/>
At 31 December 2005 and 31 December 2006	4,434
	<hr/>
IMPAIRMENT	
At 1 January 2005 and 31 December 2005	—
Impairment loss recognised	1,299
	<hr/>
At 31 December 2006	1,299
	<hr/>
CARRYING AMOUNT	
At 31 December 2006	3,135
	<hr/>
At 31 December 2005	4,434
	<hr/>

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
	<hr/>
At 31 December 2006	8,499
	<hr/>
ACCUMULATED AMORTISATION	
At 1 January 2005	4,918
Amortised for the year	1,038
	<hr/>
At 31 December 2005	5,956
Amortised for the year	1,130
	<hr/>
At 31 December 2006	7,086
	<hr/>
NET BOOK VALUES	
At 31 December 2006	1,413
	<hr/>
At 31 December 2005	1,566
	<hr/>

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.

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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 Beiyong Casting Company Limited ("Beijing Beiyong")	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

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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 RMB'000	2005 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 RMB'000	2005 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 RMB'000	2005 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 RMB'000	2005 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.

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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 Beiyong (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 Beiyong (an associate)	4,152	4,031
— Mitsubishi Beiren (an associate)	830	—
Sales of property, plant and equipment to		
— Beijing Beiyong (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 RMB'000	2005 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 RMB'000	2005 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 RMB'000	2005 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.

NOTES TO THE FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)
For the year ended 31 December 2006

FINANCIAL STATEMENTS

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		Registered/issued share capital	Principal activities
			Directly	Indirectly		
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.

AUDITORS' REPORT

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

To All Shareholders of Beiren Printing Machinery 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 our 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



FINANCIAL STATEMENTS

BALANCE SHEET

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

Assets	Notes	Consolidated Closing balance Rmb	Opening balance Rmb	Company Closing balance Rmb	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

FINANCIAL STATEMENTS

Liabilities and shareholders' equity	Notes	Consolidated Closing balance Rmb	Opening balance Rmb	Company Closing balance Rmb	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
Legal Representative

Zhang Peiwu
Financial Controller

Jiang Jianming
Financial Manager



FINANCIAL STATEMENTS

STATEMENT OF PROFIT AND PROFITS DISTRIBUTION

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

		Consolidated		Company	
	Notes	Closing 2006 (Accumulated) Rmb	Opening 2005 (Accumulated) Rmb	Closing 2006 (Accumulated) Rmb	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

CASH FLOW STATEMENT

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

FINANCIAL STATEMENTS

		Consolidated		Company	
	Notes	Closing 2006 (Accumulated) Rmb	Opening 2005 (Accumulated) Rmb	Closing 2006 (Accumulated) Rmb	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



FINANCIAL STATEMENTS

CASH FLOW STATEMENT

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

		Consolidated		Company	
	Notes	Closing 2006 (Accumulated) Rmb	Opening 2005 (Accumulated) Rmb	Closing 2006 (Accumulated) Rmb	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: dividend 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

FINANCIAL STATEMENTS

Supplementary Information	Notes	Consolidated	Consolidated	Company	Company
		Closing 2006 (Accumulated) Rmb	Opening 2005 (Accumulated) Rmb	Closing 2006 (Accumulated) Rmb	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 comprises 400,000,000 shares, including 250,000,000 state-owned legal shares, 50,000,000 domestic 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 accordance 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 reporting currency) are translated into Renminbi at the medium exchange rate ("Market 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 provision 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/discouted 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 parties, 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 recoverable 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 recognise 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 financial 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 ownership 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.

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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 of equity 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 of technical 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 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 than 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 Beiyong 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 technology 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; technical 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.

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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. dollars	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. dollars	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

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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

	Amount Rmb	Closing balance Provision for diminution in value Rmb	Net balance Rmb	Amount Rmb	Opening balance 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 (Note 12(1))	5,313,234.53	6,567,942.22
Investment in associated companies (Note 12(1))	31,804,144.61	11,988,216.99
Other equity investment (Note 12(2))	50,000.00	100,000.00
Difference included in scope of consolidation (Note 12(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 Beiyong 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 Shaanxi 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.

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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 Beiyong 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 5 of 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		Closing balance Rmb	Source of funds Rmb	Progress of work
				Transfer upon completion in 2006 Rmb	Provision for diminution in value Rmb Note 2:			
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
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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 DEFERRED 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, Beijing 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

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22. SUNDRY PAYABLES

Nature	Accrued 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
	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 17 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:

	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	Circulating shares				
			Circulating shares subject to no trading moratorium			Subtotal Rmb	Total Rmb
			Domestic listed Renminbi ordinary shares Rmb	Overseas listed foreign shares 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.

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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	—	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	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

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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 subsidiaries 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 Beiyong 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 Beiyong 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:

- 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 plants, 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.
- On 14 July 1993, the Company and Beiren Group Corporation entered into an agreement, pursuant 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.
- 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.
- 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.
- 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 Beiyong 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 Beiyong 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

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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% or 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

	Amount Rmb	Closing balance Provision for diminution in value Rmb	Net balance Rmb	Amount Rmb	Opening balance 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

NOTES TO THE FINANCIAL STATEMENTS

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

FINANCIAL STATEMENTS

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 Beiyong 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)		2005 (Accumulated)	
	Revenue Rmb	Cost Rmb	Revenue Rmb	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 "38 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 system 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.

SUPPLEMENTARY INFORMATION

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

FINANCIAL STATEMENTS

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 the Company 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 payable	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 (%)				Earnings per share (Rmb/share)			
	Fully diluted		Weighted average		Fully diluted		Weighted average	
	2006	2005	2006	2005	2006 Rmb	2005 Rmb	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



FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

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

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 accelerated.
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 term 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 previous 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.

FIVE YEARS' FINANCIAL SUMMARY

The following tables summarise the audited consolidated results of the Group for each of the five years ended 31 December 2006 and the audited assets and liabilities as at the year end date for each of the five years ended 31 December 2006.

RESULTS

(Prepared under Hong Kong Financial Reporting Standards)

	2006 RMB'000	For the year ended 31 December			
		2005 RMB'000	2004 RMB'000	2003 RMB'000	2002 RMB'000
Revenue	966,077	994,192	1,153,555	1,015,382	938,653
(Loss) profit before taxation	(103,197)	77,092	122,711	107,257	85,819
Income tax expenses	(17,346)	(15,507)	(20,688)	(13,795)	(10,780)
Profit for the year	(120,543)	61,585	102,023	93,462	75,039
Attributable to:					
Equity holders of the Company	(119,794)	57,553	101,201	96,148	72,795
Minority interests	(749)	4,032	822	(2,686)	2,244
	(120,543)	61,585	102,023	93,462	75,039

ASSETS AND LIABILITIES

(Prepared under Hong Kong Financial Reporting Standards)

	2006 RMB'000	2005 RMB'000	At 31 December		
			2004 RMB'000	2003 RMB'000	2002 RMB'000
Assets					
Current assets	1,223,246	1,274,155	1,153,173	986,908	965,085
Non-current assets	899,355	863,921	873,060	898,635	900,393
Total assets	2,122,601	2,138,076	2,026,233	1,885,543	1,865,478
Liabilities					
Current liabilities	927,647	791,279	688,310	607,453	767,582
Non-current liabilities	2,000	4,000	24,250	32,070	81,438
Total liabilities	929,647	795,279	712,560	639,523	849,020
Equity	1,192,954	1,342,797	1,313,673	1,246,020	1,016,458
Equity attributable to:					
Equity holders of the Company	1,142,674	1,291,768	1,267,975	1,200,534	967,466
Minority interests	50,280	51,029	45,698	45,486	48,992
	1,192,954	1,342,797	1,313,673	1,246,020	1,016,458

DOCUMENTS AVAILABLE FOR INSPECTION

- (I) Original copy of the annual report, which has been signed by the Chairman.
- (II) The financial statements signed and under seal by the Legal Representative, the Chief Accountant and the Head of Accounts.
- (III) Original copy of the auditors' report prepared under PRC accounting standards which have been signed by registered accountants and under the seal of Deloitte Touche Tohmatsu CPA LTD and the original copy of the auditors' report signed by Deloitte Touche Tohmatsu, Certified Public Accountants of Hong Kong together with the financial statements prepared under Hong Kong accounting standards.
- (IV) The original copies of all documents and announcements of the Company which have been publicly disclosed during the period in Shanghai Securities News, Hong Kong Economic Times and The Standard.
- (V) The Articles of Association of the Company.
- (VI) The above documents are available for inspection at the Company's Secretary's Office, No.6 Rong Chang Kong Street, Economic and Technological Development Zone, Beijing, the PRC.

Chairman: **Wang Guohua**
Beiren Printing Machinery Holdings Limited
24 April 2007

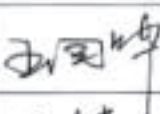


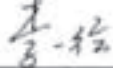
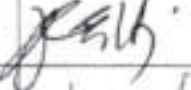
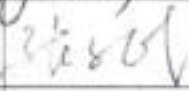
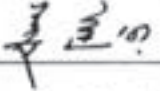
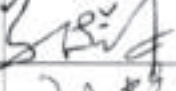
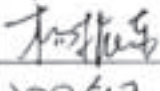
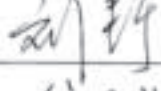
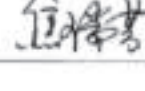


CONFIRMATION ON THE 2006 ANNUAL REPORT OF THE COMPANY AND ITS SUMMERY BY DIRECTORS AND SENIOR MANAGEMENT

We warrant the truthfulness, completeness and accuracy of the contents in the 2006 Annual Report and its summary and that there are no false representations or misleading statements contained in or material omissions from them. We collectively and individually accept responsibility for the truthfulness, accuracy and completeness of the contents contained therein.

Beiren Printing Machinery Holdings Limited
24 April 2007

董事、高管人员签字：

姓 名	职 务	签 名	姓 名	职 务	签 名
王国华	董事长		胡国佐	独立董事	
陆长安	副董事长		李一经	独立董事	
朱武安	董事		施天涛	独立董事	
于宝贵	董事		张培武	总经理	
姜建明	董事, 总会计师		孔达钢	副总经理	
杨振东	董事, 总工程师		刘 静	副总经理	
邓 刚	董事		焦瑞芳	董事会秘书	
武文祥	独立董事	