



北人印刷機械股份有限公司

BEIREN PRINTING MACHINERY HOLDINGS LIMITED

(a joint stock company incorporated in the People's Republic of China with limited liability)
(STOCK CODE : 187)

2007 ANNUAL REPORT SUMMARY

1 IMPORTANT NOTES

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

This summary is extracted from the 2007 Annual Report, the full text of which is published at the Shanghai Stock Exchange website <http://www.sse.com.cn> and The Stock Exchange of Hong Kong Limited Electronic Disclosure website <http://www.hkex.com.hk> concurrently. Investors are advised to read the full text of the 2007 Annual Report for detailed information.

- 1.2 10 out of 11 directors eligible to participate in the meeting attended the meeting in person. Director Mr. Lu Chang'an was absent from the meeting due to business engagement and had appointed Director Mr. Deng Gang to vote on his behalf.
- 1.3 ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited issued a standard unqualified auditor's report, respectively, in accordance with PRC accounting standards and Hong Kong Financial Reporting Standards and Hong Kong Companies Ordinance, respectively.
- 1.4 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.

2 INTRODUCTION TO THE COMPANY

2.1 Basic information

Short form of A Shares	北人股份
Stock code for A Shares	600860
Place for listing of the Company's A shares	Shanghai Stock Exchange
Short form of H Shares	Beiren Printing
Stock code of H Shares	0187
Place for listing of the Company's H Shares	The Stock Exchange of Hong Kong Limited
Registered address and office address	No. 6 Rong Chang Dong Street, Beijing Economic and Technological Development Zone, Beijing, the PRC
Postal code	100176
Website	http://www.beirengf.com
Email address	beirengf@beirengf.com

2.2 Contact person and method

	Secretary to the Board of Directors	Representative in charge of securities affairs
Name	Jiao Ruifang	Lu Ruiping
Contact address	No. 6 Rong Chang Dong Street, Beijing Economic and Technological Development Zone, Beijing, the People's Republic of China (the "PRC")	No. 6 Rong Chang Dong Street, Beijing Economic and Technological Development Zone, Beijing, the People's Republic of China (the "PRC")
Telephone number	010-67802565	010-67802565
Facsimile number	010-67802570	010-67802570
Email address	beirengf@beirengf.com	beirengf@beirengf.com

3 SUMMARY OF ACCOUNTING AND OPERATIONAL FIGURES

3.1 Major Accounting Figures

Unit: Rmb

Major accounting Figures	2007	2006		Increase/decrease in 2007 as compared with 2006 (%)	2005	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Income from principal operations	1,071,509,754.56	978,316,596.33	978,316,596.33	9.53	1,014,162,528.58	1,011,498,284.41
Total profit	10,243,036.16	-103,038,226.07	-87,257,826.20	109.94	42,410,644.33	61,509,113.95
Net profit attributable to shareholders of listed company	9,278,498.87	-103,129,983.00	-87,894,795.85	109.00	25,673,608.47	48,790,356.05
Net profit attributable to shareholders of listed company after extraordinary items	-5,342,489.03	-103,106,001.01	-93,878,476.30	94.82	10,285,466.40	33,402,213.97
Net cash flow from operating activities	24,301,793.67	35,321,461.11	35,321,461.11	-31.20	-31,354,369.58	-31,354,369.58
	End of 2007	End of 2006		Increase/decrease in 2007 as compared with the end of 2006 (%)	End of 2005	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Total asset	2,216,816,579.29	2,135,853,138.75	2,132,913,615.40	3.79	2,127,444,673.60	2,127,384,112.13
Equity interests of owners (or shareholders's equity)	1,161,039,825.84	1,150,879,765.66	1,165,310,630.15	0.88	1,257,813,397.15	1,280,500,032.83

3.2 Major Financial Indices

Unit: Rmb

Major Financial Indices	2007	2006		Increase/decrease in 2007 as compared with 2006 (%)	2005	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Basic earnings per share	0.02	-0.24	-0.21	108.33	0.06	0.12
Diluted earnings per share	0.02	-0.24	-0.21	108.33	0.06	0.12
Basic earnings per share after extraordinary items	-0.01	-0.24	-0.22	95.83	0.02	0.08
Returns on net assets on fully diluted basis (%)	0.80	-8.96	-7.54	Increased by 9.76 percentage points	2.04	3.81
Returns on net assets on weighted average basis (%)	0.80	-8.39	-7.11	Increased by 9.19 percentage points	2.01	3.85
Return on net assets on fully diluted basis after extraordinary items (%)	-0.46	-8.96	-8.06	Increased by 8.50 percentage points	0.82	2.61
Return on net assets on weighted average basis after extraordinary items (%)	-0.46	-8.38	-7.59	Increased by 7.92 percentage points	0.80	2.64
Net cash flow per share from operating activities	0.058	0.084	0.084	-30.95	-0.074	-0.074

	End of 2007	End of 2006		Increase/decrease in 2007 as compared with the end of 2006 (%)	End of 2005	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Net asset per share attributable to shareholders of listed company	2.75	2.73	2.76	0.73	2.98	3.03

Extraordinary items

☒ Applicable ☐ Not Applicable

Unit: Rmb

Extraordinary items	Amount
Profit (loss) from disposal of non-current assets	3,818,086.21
Government subsidy accounted into profit and loss for the current period, other than those closely associated with the operations of the Company which were accounted for in fixed amount or volume in accordance with uniform standard of the State	2,104,624.68
Other net non-operating income or expenses	4,967,806.66
Write back of welfare balance	3,730,470.35
Total	14,620,987.90

Items measured at fair value

☐ Applicable ☒ Not Applicable

3.3 DIFFERENCES BETWEEN THE PRC AND INTERNATIONAL ACCOUNTING STANDARDS

✓ Applicable ☐ Not Applicable

Unit: Rmb'000

	Under the PRC accounting standards	Under HK GAAP
Net profit	9,278	5,192
Net asset	1,161,040	1,148,748

Difference explanation

During the year, the impact of differences between the PRC and international accounting standards on the net profits of the Company was Rmb4,086,000, the difference was mainly due to the following:

1. Adjustment to difference in valuation of net assets contributed by Berien Group Corporation. In accordance with HK GAAP, the land contributed by Beiren Group Corporation into the Company was accounted for as increase in capital reserve; while 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 assets contribution to subsidiaries. In accordance with HK GAAP, the intangible assets invested by the Company into the subsidiaries with original cost of Rmb4,620,000 should be written off; while 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.

4 MOVEMENT OF SHAREHOLDER'S EQUITY AND INFORMATION OF SHAREHOLDERS

4.1 CHANGES IN SHARE CAPITAL

✓ Applicable ☐ Not Applicable

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	222,640,000	52.76				-21,100,000	-21,100,000	201,540,000	47.76
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	222,640,000	52.76				-21,100,000	-21,100,000	201,540,000	47.76
II. Circulating shares not subject to trading moratorium									
1. Renminbi ordinary shares	99,360,000	23.55				21,100,000	21,100,000	120,460,000	28.55
2. Foreign shares listed domestically									
3. Foreign shares listed overseas	100,000,000	23.69						100,000,000	23.69
4. Others									
Total shares not subject to trading moratorium	199,360,000	47.24						220,460,000	52.24
III. Total shares	422,000,000	100				0	0	422,000,000	100

Changes in restricted circulating shares

✓ Applicable □ Not Applicable

Unit: Share

Name of shareholder	No. of restricted circulating shares at the beginning of the year	No. of restricted circulating shares released during the year	No. of additional restricted circulating shares during the year	No. of restricted circulating shares at the end of the year	Reason for restriction	Expiry date of restriction
Beiren Group Corporation	222,640,000	21,100,000	0	201,540,000	Share Segregation Reform	2007-6-5
Total	222,640,000	21,100,000	0	201,540,000	–	–

4.2 Number of shareholders and their shareholding

Unit: Share

Total number of shareholders at the end of the reporting period 24,686 (including: 24,601 A share holders and 85 H share holders)

Particulars of top ten shareholders

Name of shareholders	Nature of shareholder	Percentage of share capital (%)	Number of shares held	Number of shares subject to trading moratorium	Number of shares pledged or frozen
Beiren Group Corporation	State-own legal person	52.76	222,640,000	201,540,000	Nil
HKSCC NOMINEES LIMITED	Unknown	23.47	99,041,199	0	Unknown
汪新輝	Unknown	0.18	741,899	0	Unknown
謝旭紅	Unknown	0.17	730,000	0	Unknown
天寶天成	Unknown	0.16	691,500	0	Unknown
汪興林	Unknown	0.16	682,800	0	Unknown
蘇國榮	Unknown	0.16	666,860	0	Unknown
張達瑞	Unknown	0.16	660,308	0	Unknown
倪琳	Unknown	0.14	606,628	0	Unknown
黃玉群	Unknown	0.14	573,704	0	Unknown

Particulars of Top 10 Holders of Shares not subject to Trading Moratorium

Name of shareholders	Number of circulating shares held	Class of shares
HKSCC NOMINEES LIMITED	99,041,199	Foreign shares listed overseas
Beiren Group Corporation	21,100,000	Renminbi ordinary shares
汪新輝	741,899	Renminbi ordinary shares
謝旭紅	730,000	Renminbi ordinary shares
天寶天成	691,500	Renminbi ordinary shares
汪興林	682,800	Renminbi ordinary shares
蘇國榮	666,860	Renminbi ordinary shares
張達瑞	660,308	Renminbi ordinary shares
倪琳	606,628	Renminbi ordinary shares
黃玉群	573,704	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 holders of circulating shares, nor is the Company 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 holders of circulating shares and the top ten shareholders, nor is the Company aware of any parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders.

4.3 Controlling shareholder and beneficial controller

4.3.1 Changes in status of controlling shareholder and beneficial controller

☐ Applicable ☒ Not Applicable

4.3.2 Information of controlling shareholder and beneficial controller

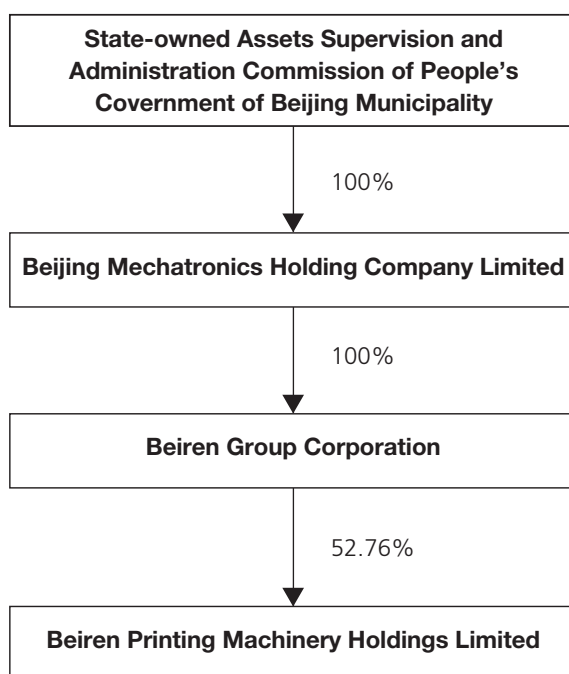
(1) Status of the legal person controlling shareholder

Name of the controlling shareholder:	Beiren Group Corporation
Legal representative:	Deng Gang
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) Status of legal beneficial controller

Name of beneficial controller:	Beijing Mechatronics Holding Company Limited
Legal representative:	Li Jisheng
Registered capital:	Rmb1,359,015,000
Date of incorporation:	8 September 1997
Principle operating or managing activities:	State-own assets operation and management within the scope of authorization; operation of title (ownership); external financing and investment.

4.3.3 Property right and controlling relationship between the Company and beneficial controller



5 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Changes in shareholdings of Directors, Supervisors and Senior Management Staff and their remuneration

Unit: share

Name	Position	Sex	Age	Start and end dates of appointment	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Reason of change	Remuneration received from the Company during the reporting period (Rmb0'000)	Whether receiving an remuneration or allowance from shareholder entities or other associated entities
Wang Guohua	Chairman	Male	44	2005-07-14-2008-07-13	1,656	1,656		0	Yes
Lu Chang'an	Vice Chairman	Male	59	2005-07-14-2008-07-13	6,624	6,624		0	Yes
Zhang Peiwu	Director and General Manager	Male	44	2007-06-18-2008-07-13	0	0		48.4	No
Yu Baogui	Director	Male	58	2005-07-14-2008-07-13	5,796	5,796		3	Yes
Yang Zhendong	Director and Chief Engineer	Male	45	2005-07-14-2008-07-13	0	0		35.7	No
Jiang Jianming	Director and Chief Accountant	Male	52	2005-07-14-2008-07-13	0	0		35.7	No
Deng Gang	Director	Male	42	2005-07-14-2008-07-13	0	0		4	Yes
Wu Wenxiang	Independent Director	Male	73	2005-07-14-2008-07-13	0	0		3	No
Wu Hongzuo	Independent Director	Male	61	2005-07-14-2008-07-13	0	0		5	No
Li Yijing	Independent Director	Female	56	2005-07-14-2008-07-13	0	0		3	No
Shi Tiantao	Independent Director	Male	45	2005-07-14-2008-07-13	0	0		3	No
Xiao Maolin	Chairman of the Supervisory Committee	Male	58	2005-07-14-2008-07-13	0	0		3	Yes
Xue Kexin	Supervisor	Male	42	2005-07-14-2008-07-13	1,000	0	Sales of shares	10.6	No
Tian Furen	Supervisor	Male	59	2005-07-14-2008-07-13	5,658	4,258	Sales of shares	7.3	No
Jiao Ruifang	Secretary to the Board of Directors	Female	31	2007-03-01-2008-07-13	0	0		24.3	No
Kong Dagang	Deputy General Manager	Male	49	2007-03-01-2008-07-13	0	0		23.5	No
Liu Jing	Deputy General Manager	Male	52	2007-03-01-2008-07-13	0	0		30.2	No
Total	/	/	/	/	20,734	18,334	/	239.7	/

6 REPORT OF THE DIRECTORS

6.1 Management Discussion and Analysis

(I) Review

The year 2007 was a year of significance for the implementation of scientific development approach, the execution of the “11-5” strategic plan, and the reform of the Company’s system, mechanism and operating pattern.

During the reporting period, in accordance with the PRC accounting standard, the Company recorded a principal operating income of Rmb1,071,509,800, representing an increase of 9.53% compared with the previous year. Net profit was Rmb9,373,700, representing an increase of 108.96% compared with the previous year. Profit per share was Rmb0.02. In accordance with the Hong Kong accounting standard, turnover amounted to Rmb1,052,869,000, representing an increase of 8.98% from the previous year. Net profit amounted to Rmb5,287,000, representing an increase of 104.39% over last year. Profit per share was Rmb0.012.

- (1) Carrying through strategy-oriented approach, actively implementing strategies and management

During the reporting period, we carried through the strategy-oriented approach extensively, devised and completed strategies for all business functions, and established a guarantee system for the Company’s “11-5” overall strategic operation. Scientific methods of strategic assessment were used to actively foster strategy implementation and adjustments.

- (2) Carrying through “customer-oriented” business goal, establishing rapid market response mechanism

During the reporting period, we reformed the Company’s management system and reconstructed the business workflow. The business philosophy of all employees underwent a fundamental change. Subsidiaries were operating according to the management model of “profit-focused, market entering simulation”, while the Company’s management function was shifted towards customers. The establishment of a rapid market response mechanism effectively enhanced the quality of business operation and the market competitiveness of the Company.

- (3) Actively launching comprehensive budget management, enhancing the Company’s scientific management level

During the reporting period, the Company carried through budget management actively and extensively, making it the true foundation for the Company’s business operation and scientific management. Each budget unit at the base level strived to standardize and enhance the scientific level of budget preparation, review, implementation and adjustments. The creation of a link between budget target and salary ensured the Company’s budget goals to be achieved at all levels,

- (4) Standardizing the Company’s governance system, strengthening the parent company’s control over subsidiaries, enhancing overall business management level

During the reporting period, we established an authorizing system by division for the Board of Directors, the management level and subsidiaries. We established a scientific decision making mechanism which clearly identifies the duties of all levels of the Company, allowing division of labour, co-ordination and an effective balance of power, laying a solid foundation for the prioritized allocation and co-ordination of company resources, as well as successful synergistic effect between the Company and subsidiaries. As named the sample stock of the “Governance Model of Listed Companies”, the corporate image of the Company has been enhanced.

- (5) Launching performance management, stringently implementing performance assessment

During the reporting period, senior management staff of the Company has entered into a performance management target which has combined the implementation of corporate strategic goals and budget, and has put the assessment of performance into practice effectively, so as to encourage the senior management to create value for the Company. Meanwhile, we also established a performance assessment system for medium management staff, and transmitted our performance objective and duty from level to level, so as to ensure the achievement of the Company's strategic goals and measures.

(III) Prospect

1. Industry Overview

- (1) On the macroeconomic front, a stable financial policy and tightened monetary policy will be implemented. Spontaneous expansion in total social demand will slow down, and national economy will shift from a fast growing trend for the previous five years to more stable and slight easing. Moreover, the Company is facing enormous pressure in its development and operation due to raises in borrowing cost, Renminbi appreciation and cut of tax rebate as well as rising prices of raw materials.
- (2) Overview of the press and printing machinery industry: China has substituted Germany and UK to become the third largest printing market of the world. With the forthcoming Beijing Olympics 2008 and Shanghai World Expo, huge market opportunities are generated for industries such as package printing, publication printing and commercial printing. However, with the further introduction of energy saving and pollution reduction policies, re-use of primary and secondary school textbooks across the State and paid usage of plastic shopping bags and the carrying out of Golden Card project to promote tax control by digital method instead of taxation, the press and printing machinery industry is slowing down notably while the market is becoming more competitive.

As the first listed company of the printing machinery industry of the PRC, Beiren remains the market leader of the industry. By way of creating products which can be used as the substitute of imported goods in the high-end market, structural reorganization, system transformation and expansion in the high-end market, we have been making every effort to realize our goal of becoming the most competitive integrated provider of printing facilities and services. In 2008, we will continue to explore the domestic and international market, strive to enhance our technical and quality level, and transform towards a good and fast development.

2. Corresponding measures and key work of the Company for 2008

- (1) Strengthening the process management of the implementation of "11-5" strategy, ensuring strategic goals realized at a gradual pace

We will complete the Company's annual strategic assessment, implement functional strategies and review subsidiaries' competitive strategy based on the requirements of the strategic management system, ensuring the overall implementation of company strategies.

- (2) Implementing corporate governance projects, perfecting the Company's internal control system

Based on the corporate governance and the management system of the parent company's control over subsidiaries approved by the Board of Directors, we will conduct promotion, provide training and carry out the policy in phases. Meanwhile, we will perfect the Company's internal control system, tidy up the workflow of key businesses, launch corporate governance and projects related to the parent company's control over subsidiaries at a gradual pace, aiming to achieve the standardized scientific management level and to realize the corporate synergistic effect.

- (3) Innovating budget management, furthering performance management, deepening the reform of allocation system

In response to the pressure caused by increasing high operating costs, we promulgate our policies and measures such as market forecast, salary incentives, the system of lowering inventory, the improved structure of capital use and the effort to lower costs, etc. to staff of all levels. We hope to achieve the annual budget targets by realizing the transformation of mechanism.

- (4) Accelerating the development of new products, cultivating new growth points for efficiency

Customers will become the Company's focal point and our market research and product development capability will be enhanced. To cater for customer demand, we will further streamline product lines, refine product structure, continuously improve products, increase customer satisfaction level, and cultivate new growth points for efficiency.

- (5) Implementing key projects for technical reform, enhancing leading technical equipments at a steady pace

In 2008, the Company will carry out 37 technical reform projects, with an investment budget of Rmb28,349,000 to such as finance the key projects including small scale processing center, the purchase of processing equipment, digital-controlled cam grinders and measuring and inspecting facilities, reform of production line assembling technique, so as to further enhance the technique, quality level and production efficiency of multi-color machinery products.

- (6) Strengthening supply chain management, increasing the ability of integrated production and quality assurance

To further streamline production workflow and supply chain, establish strategic cooperative partnership relations with co-ordinating units, establish a steady and socialist production system suitable for future development by "maintaining advantages and adding strengths". To realize the effective allocation of production resources, strengthen quality control, accelerate technical reform and improve craftsmanship, further increase productivity and the quality level.

- (7) Strengthening the Company's fundamental management establishment, cultivating the capability of corporate value chain

Through strengthening the weak aspects of the Company's fundamental management, to cultivate the business abilities of the corporate value chain (R&D, manufacturing and sales) as well as the supporting abilities of the supplementary chain (finance, human resources, information and culture) at a gradual pace, to increase the Company's operating quality and ensure the achievement of the "11-5" strategic goals.

- (8) To continue with the establishment of corporate culture tasks, construct a harmonious enterprise, improve corporate cohesion, and maintain good and rapid development for the Company.

6.2 Principal businesses by business sector and products

Unit: Rmb

Sector of Product	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year(%)	Increase/decrease in gross profit margin over last year (%)
Offset press series	777,599,387.29	610,222,548.61	1.01	16.51	14.05	Increased by 14.81 percentage points
Intrusion printers series	187,231,584.48	137,225,432.46	-0.74	3.79	-0.37	Decreased by 5.01 percentage points
Form presses series	42,620,013.72	33,383,842.07	1.13	-43.38	-42.99	Decreased by 1.30 percentage points
Printing business	25,680,678.68	18,987,064.42	3.39	33.73	37.93	Increased by 6.21 percentage points
Total	1,033,131,664.17	799,818,887.56	0.76	9.64	7.34	Increased by 9.58 percentage points

6.3 Principal businesses by geographical locations

Unit: Rmb

Geographical location	Operating income	Increase/decrease in operating income as compared with last year (%)
Domestic	977,599,321.99	9.95
Overseas	55,532,342.18	4.50
Total	1,033,131,664.17	9.64

6.4 Information on major suppliers and customers

Unit: Rmb0'000

Total procurement from the top five suppliers	6,141	Percentage accounting for total procurement	15.51%
Total sales from the top five customers	10,837	Percentage accounting for total sales	10.11%

6.5 Operation and business performance of major holding subsidiaries

Unit: Rmb

Company name	Nature of business	Main product or service	Registered capital	Asset size	Net profit
Beijing Beiren Fuji Printing Machinery Limited	Manufacture of printing presses	Form presses	42,328,060.26	113,615,492.56	1,851,702.87
Haimen Beiren Fuji Printing Machinery Limited	Manufacture of printing presses	Quarto printing machine	51,000,000.00	65,040,104.48	59,241.42
Hebei Beiren Gei Zhi Ji Chong	Parts for printing presses	Paper-feeding machine	5,000,000.00	13,177,666.13	-2,168,416.26
Beijing Beiren Jingyan Printing Machinery Factory	Parts for printing presses	Paper-feeding machine	21,050,000.00	21,966,841.16	-314,102.29
Beijing Beiren Yuxin Offset Printing Limited	Printing	Printing and packaging	22,430,000.00	63,389,119.48	532,996.34
Shaanxi Beiren Printing Machinery Limited	Manufacture of printing presses	Intaglio presses	115,000,000.00	337,552,302.61	2,269,887.02
Sheenlite Limited			3.51	13,017,082.67	2,535,425.58

6.6 Analysis of Operating Results during the Reporting Period (prepared under PRC accounting standards)

- (1) In 2007, total profit of the Company increased by 109.94% as compared with the same period last year, among which total operating income increased by 9.53%, while total operating profit increased by 97.30% attributable to the decrease in the total operating cost by 0.7% as compared with last year.
- (2) Decrease in total operating cost as compared with last year is mainly due to: operating cost increased by 8.38% as compared with the same period last year; business tax and surcharge increased by 10.07% over last year; sales expense increased by 3.36% and administrative expense decreased by 15.89% over last year, mainly attributable to the change in the audit criteria arising from the implementation of new standards; financial expense increased by 20.79% over last year, mainly attributable to interest rate of bank borrowings raised; impairment loss on assets decreased by 78.44% over last year; investment income decreased by 89.49% over last year, mainly attributable to operating loss incurred by the new subsidiary Mitsubishi Heavy Industry Beiren Company (三菱重工北人公司).
- (3) Net non-operating income increased by 3,358.49% over last year, mainly attributable to the increase in government grants and gain on disposal of non-current assets.

6.7 Analysis of assets, liabilities and equity interests

Total assets value amounted to Rmb2,216,816,600 during the reporting period, increased by 3.79% as compared with the beginning of the year and remained unchanged basically over last year. Total liabilities amounted to Rmb1,010,130,500, increased by 7.63% as compared with the beginning of the year, of which, short-term loans increased by 4.3%, bills payable increased by 8.17%, receipts in advance increased by 33.99%, long-term loans increased by Rmb29,000,000. Total equity interest attributable to shareholders amounted to Rmb1,206,686,100, increased by 0.78% as compared with the beginning of the year.

6.8 Financial position analysis

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 and solid finance sources. The Company has kept its finance size under strict control to satisfy the need of the Company to finance for operating activities while minimized its financial costs and prevented financial risks in a timely manner by utilizing financial instruments, so as to achieve a sustainable development of the Company and maximize its shareholders' value.

Liquidity and capital structure	2007	2006
(1) Assets-liabilities ratio	45.57%	43.94%
(2) Quick ratio	64.33%	55.47%
(3) Liquidity ratio	134.31%	132.58%

6.9 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. As at the end of the reporting period, the Company had short-term loan Rmb365,079,800 (including bank factoring of accounts receivable), increased by 4.3% as compared with the beginning of the year. Long-term loan increased by Rmb29,000,000, which was used to finance the technical reform project of the subsidiary Shaanxi Beiren.

6.10 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 Hong Kong Stock Exchange and for publication of information disclosure. The change in foreign exchange rates will not have material impact on the results of the Company.

6.11 Principal Sources Of Fund And Its Use

(1) *Cash flows from operating activities*

The Company's cash inflows are mainly derived from revenue of goods selling. Cash outflow was mainly related to production and operating activities. The Company's cash inflow from operating activities for the reporting period amounted to Rmb1,053,249,500, while cash outflow amounted to Rmb1,028,947,700. Net cash flow during the reporting period from operating activities amounted to Rmb24,301,800.

(2) *Cash flows from investment activities*

Cash inflow from investment activities during the reporting period amounted to Rmb20,562,700, which was mainly attributable to the disposal of fixed assets and recovery of other long-term assets. Cash outflow to investment activities amounted to Rmb34,997,100, which was mainly used for purchase of fixed assets and capital expense on relocation and construction of subsidiaries. The above expenditures were mainly financed by the Company's internal resources. Net cash flow from investment activities for the reporting period amounted to Rmb-14,434,400.

(3) *Cash flows from fund-raising activities*

Cash inflow from fund-raising activities during the reporting period amounted to Rmb460,150,000, which was mainly derived from bank loans and bank factoring of accounts receivable. Cash outflow from fund-raising activities during the reporting period was mainly for repayment of bank loans and interest. Net cash flow from fund-raising activities for the reporting period amounted to Rmb13,079,400.

During the reporting period, cash and cash equivalents increased by Rmb22,549,700, improved significantly as compared with Rmb-24,757,900 of last year.

6.12 Capital Structure

The Company's capital structure consists of interests and liabilities attributable to shareholders during the reporting period. Interests attributable to shareholders amounted to Rmb1,206,686,100; of which, minority interests amounted to Rmb45,646,300; and total liabilities amounted to Rmb1,010,130,500. Total assets amounted to Rmb2,216,816,600. As at the end of the year, the Company's gearing ratio was 45.57%.

Capital structure by liquidity:

Total current liabilities	976,538,400	Accounting for 44.05% of the capital
Total equity interest	1,206,686,100	Accounting for 54.43% of the capital

Including: minorities interest amounted to Rmb45,646,300, accounting for 2.06% of the capital.

6.13 Contingent Liability

As at the end of the reporting period, the Company did not have any significant contingent liability.

6.14 Analysis of the reasons for major changes in overall financial position compared with last year (prepared according to PRC Accounting Standards)

- (1) Cash and cash balances increased by 30.92% compared with the beginning of the year, mainly due to the increase in net cash flow from operating activities during the year.
- (2) Bills receivable increased by 210.81% compared with the beginning of the year, mainly due to the increase in operating income as more settlements of the Company were made in notes by customers.
- (3) Accounts receivable increased by 12.01% compared with the beginning of the year, mainly due to the increase in operating income during the year.
- (4) Prepayment increased by 175.31% compared with the beginning of the year, mainly due to the increase in purchase during the year.
- (5) Inventories decreased by 3.78% compared with the beginning of the year, mainly due to the disposal of inventories and obsolete goods.
- (6) Property held for investment increased by 80.82% compared with the beginning of the year, mainly due to the transfer of properties leasing to associates.
- (7) Long term equity investment decreased by 34.83% compared with the beginning of the year, mainly due to the ceasation of some subsidiaries and associates during the year.
- (8) Fixed assets increased by 1.57% compared with the beginning of the year.
- (9) Intangible assets increased by 12.2% compared with the beginning of the year, mainly due to the reclassification and transfer of land use right formerly accounted into “projects under construction” in 2006, as a result of the completion of relocation of the subsidiary Shaanxi Beiren.
- (10) Short-term loans increased by 4.3% compared with the beginning of the year, mainly incurred by increase in bank loans resulting from growth in demand for working capital during the year.
- (11) Accounts payable increased by 8.17% compared with the beginning of the year, mainly due to the extension of repayment term in order to relieve the financing pressure of the Company.
- (12) Receipts in advance increased by 33.99% compared with the beginning of the year, principally resulting from the increase in receipts in advance for goods as a result of the increase in orders from customers at the end of the period.
- (13) Wages payable increased by 49.53% compared with the beginning of the year, primarily due to the increase in resignatory benefits.
- (14) Tax payable decreased by 71% compared with the beginning of the year, principally resulting from the decrease in outstanding amount of tax payable.
- (15) Long-term loan incurred were used to finance the technical reform program of Shaanxi Beiren during the year.

- (16) Estimated liabilities decreased by 98.48% compared with the beginning of the year, mainly due to transfer of employees' salary from recognized resignatory benefits of Shaanxi Beiren.
- (17) Undistributed profit increased by 110.5% compared with the beginning of the year, mainly due to profit earnings during the year.
- (18) Operating income increased by 9.53% over last year and operating cost increased by 8.38% over last year. The main reason was the establishment of the agent business of Diamond 1000B for 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), an associate of the Group, during the year. As such, operating income increased by Rmb113,240,000 and operating cost increased by Rmb106,300,000, while consolidated gross profit margin remained largely unchanged.
- (19) Expenditure for the period decreased by 7.75% over last year, mainly due to the change in audit criteria arising from the implementation of new standards.
- (20) Impairment loss on assets decreased by 78.44% over last year, mainly due to the sufficient provision made for the estimated impairment incurred for 2006, and provision was made only to the impairment newly incurred for the year. During the year, the Company committed to enhance the collectibility of accounts receivable, with focal settlement of the aged accounts in particular. As such, provision for bad and doubtful debts made under accounting age has decreased during the year.
- (21) Gain on investment decreased by 89.49% over last year, mainly due to the operating loss incurred by Mitsubishi Heavy Industry Beiren Company, which is still under construction now.
- (22) Net non-operating income increased by 3,358.49% over last year, mainly attributable to increase in items such as government grants and gain on disposal of non-current assets.

6.15 Use of capital raised

☐ Applicable ☒ Not Applicable

Change of Projects

☐ Applicable ☒ Not Applicable

6.16 Projects financed by non-raised funds

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

The Company registered a profit during the reporting period but no profit distribution plan is proposed.

☒ Applicable ☐ Not Applicable

According to the PRC accounting standard, the Company realized a net profit of Rmb9,373,700 during the reporting period; the net undistributed profit was Rmb16,060,200 at the end of the year. According to international accounting standard, the Company realized a net profit of Rmb5,287,000 during the reporting period. The Company did not recommend to distribute profit or to transfer capital reserve to share capital for 2007 as the profit to be distributed to shareholders would be small.

7 MAJOR EVENTS

7.1 Acquisition of assets

☐ Applicable ☒ Not Applicable

7.2 Disposal of assets

☐ Applicable ☒ Not Applicable

7.3 Material guarantees

☒ Applicable ☐ Not Applicable

Unit: Rmb0'000

Guaranteed Parties	Incurred date (the signature date of the agreement)	External guarantees by the Company (excluding guarantees for subsidiaries)			Completion or not	Guarantee for connected parties or not
		Guaranteed amount	Type of guarantee	Term of guarantee		
Total amount of guarantee during the reporting period						
Total balance of guarantee at the end of the reporting period						
		Guarantees for subsidiaries by the Company				
Total amount of guarantee for subsidiaries during the reporting period						1,750
Total balance of guarantee for subsidiaries at the end of the reporting period						1,750
		Total amount of guarantee by the Company (including guarantee for subsidiaries)				
Total amount of guarantee						1,750
Percentage of total amount of guarantee over net assets of the Company						1.5%
Including:						
Amount of guarantees provided for shareholders, beneficial controllers and their connected parties						
The amount of debt guarantee provided, either directly or indirectly, for guaranteed parties whose gear ratio is larger than 70%						
Amount of total guarantee beyond 50% of net assets						
Total amount of the above three guarantees						1,750

7.4 Material Connected Transactions

7.4.1 Connected Transactions Related to Day-to-day Operation

☒ Applicable ☐ Not Applicable

Unit: Rmb

Connected Parties	Sales of goods and provision of labour service to connected parties		Purchase of goods and receipt of labour service from connected parties	
	Transaction amount	Percentage of same-type transaction amount	Transaction amount	Percentage of same-type transaction amount
Beijing Beiyong Printing and Casting Company Limited			24,681,803.27	4.89
Beijing Monigraf Automatic Systems Company Limited			7,507,565.99	1.49
Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited			136,492,877.49	27.02
Beiren Group Corporation	470,085.47	0.04	9,178,778.56	1.82
Beijing Yan Long Import and Export Company	2,666,666.67	0.25		
Total	3,136,752.14		177,861,025.31	

Including: The connected transaction amount of sales of goods and provision of labour service to shareholders and subsidiaries by the Company was Rmb3,136,752.14.

7.4.2 Connected debts and liabilities

☒ Applicable ☐ Not Applicable

Unit: Rmb

Connected parties	Connection	Capital provided to connected parties		Capital provided to the Company by connected parties	
		Incurred amount	Balance	Incurred amount	Balance
Beiren Group Corporation	Parent company	0.00	0.00	7,500,000.00	0.00
Total	/	0.00	0.00	7,500,000.00	0.00

During the reporting period, no amount was provided by the Company to the controlling shareholders and its subsidiaries.

7.4.3 Appropriated fund and the recovery progress in 2007

☐ Applicable ☒ Not Applicable

The failure to recover non-operating appropriated funds as at the end of 2007 and the responsibility accountability plan proposed by the Board

☐ Applicable ☒ Not Applicable

7.5 Asset management on trust

☐ Applicable ☒ Not Applicable

7.6 Performance of Undertakings

7.6.1 Undertakings of the Company or Shareholders with 5% or more of the Company's shares during the reporting period or continuing within the reporting period

☒ Applicable ☐ Not Applicable

The sole shareholder of non-circulating shares of the Company undertakes that, (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 per share) of the weighted average price of the A-share in circulation 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 shareholder of non-circulating shares of the Company has strictly performed the undertakings it made in the course of the share segregation reform.

7.6.2 The Company's explanation on whether the earnings estimate on assets or projects was met and its reasons in the situation that earnings in the Company's assets or projects is estimated, the period of which includes the reporting period.

☐ Applicable ☒ Not Applicable

7.7 Material litigation or arbitration

☐ Applicable ☒ Not Applicable

7.8 Other material events and analysis on its impacts and solutions

7.8.1 Investment in securities

☐ Applicable ☒ Not Applicable

7.8.2 Holding of equity interests in other listed companies

☐ Applicable ☒ Not Applicable

7.8.3 Holding of equity interests in non-listed financial companies

☐ Applicable ☒ Not Applicable

7.8.4 Trading of shares of other listed companies

☐ Applicable ☒ Not Applicable

7.9 Other Events

(1) Auditors

During the reporting period, the Company changed its domestic and overseas auditors. ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited were appointed as the Company's domestic and overseas auditors for 2007 respectively. They have reviewed the attached financial statements under the PRC accounting standards and the financial report prepared under the Hong Kong GAAP.

During the reporting period, the remunerations payable to domestic and overseas auditors are Rmb1,000,000 for ShineWing Certified Public Accountants and Rmb300,000 for SHINEWING (HK) CPA Limited, respectively. The audit fee includes all fees related to audit services provided to the Company by the auditors, including audit fee and review fee.

As at 31 December 2007, ShineWing Certified Public Accountants has provided audit services for the Company for 1 year, and SHINEWING (HK) CPA Limited has provided audit services for the Company for 1 year.

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

- (3) After special enquiries made by the Board to all directors, supervisors and senior management members in accordance with the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, the Company confirms that all directors, supervisors and senior management members have complied with the code for securities transactions by directors during the reporting period.
- (4) The 2007 annual report of the Company has been reviewed and confirmed by the Company's Audit Committee.
- (5) During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.
- (6) As of 31 December 2007, the Company did not issue any convertible securities, options, warrants or any other similar rights.

8 REPORT OF THE SUPERVISORY COMMITTEE

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

9 FINANCIAL REPORT

9.1 Auditor's opinion

ShineWing Certified Public Accountants had audited the Financial Report of the Company for 2007 and had issued its standard auditor's report No.XYZH/2007A4015 with unqualified opinion.

SHINEWING (HK) CPA Limited had audited the Financial Report of the Company for 2007 and had issued its standard auditor's report with unqualified opinion.

9.2 Financial report (prepared in accordance with the HKFRS).

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 RMB'000	2006 RMB'000
Turnover	1,052,869	966,077
Cost of sales	(817,674)	(812,694)
Gross profit	235,195	153,383
Other operating income	22,453	12,650
Selling and distribution expenses	(72,345)	(69,993)
Administrative expenses	(153,505)	(180,395)
Finance costs	(19,151)	(16,194)
Share of results of associates	(6,490)	(2,648)
Profit (loss) before taxation	6,157	(103,197)
Income tax expense	(870)	(17,346)
Profit (loss) for the year	5,287	(120,543)
Attributable to :		
Equity holders of the Company	5,192	(119,794)
Minority interests	95	(749)
	5,287	(120,543)
Earnings (loss) per share		
Basic	RMB1.2 cents	RMB(28.4) cents

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	2007 RMB'000	2006 RMB'000
Non-current assets		
Property, plant and equipment	636,272	656,267
Investment properties	76,701	70,497
Prepaid lease payments – non-current portion	146,187	131,391
Goodwill	3,135	3,135
Other intangible assets	283	1,413
Interests in associates	24,478	32,090
Deferred tax assets	4,590	4,562
	891,646	899,355
Current assets		
Inventories	683,335	710,196
Trade and other receivables	521,578	416,812
Prepaid lease payments – current portion	3,252	2,884
Amounts due from minority shareholders of subsidiaries	–	10,492
Tax recoverable	2,006	–
Pledged bank deposits	8,083	6,702
Bank balances and cash	100,381	76,160
	1,318,635	1,223,246
Current liabilities		
Trade and bills payables	388,268	358,354
Other payables	102,996	109,858
Sales deposits received	79,571	57,894
Amount due to ultimate holding company	12,366	14,996
Tax liabilities	–	2,971
Borrowings – due within one year	396,630	383,574
	979,831	927,647
Net current assets	338,804	295,599
Total assets less current liabilities	1,230,450	1,194,954
Capital and reserves		
Share capital	422,000	422,000
Reserves	726,748	720,674
Equity attributable to equity holders of the Company	1,148,748	1,142,674
Minority interests	50,375	50,280
Total equity	1,199,123	1,192,954
Non-current liabilities		
Borrowings – due after one year	27,000	–
Deferred income	4,327	2,000
	31,327	2,000
	1,230,450	1,194,954

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

1. Turnover

Turnover 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 and is analysed as follows:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Sales of printing presses	1,007,554	932,672
Sales of spare parts	25,668	19,277
Provision of printing services	25,681	19,203
Total sales	1,058,903	971,152
Less: Sales tax and other surcharges	(6,034)	(5,075)
	1,052,869	966,077

2. Business and Geographical Segments

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

3. Other Operating Income

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Gross rental income from investment properties	9,579	6,294
Gain from disposal of property, plant and equipment	947	–
Reversal of impairment of property, plant and equipment	1,180	3,500
Government grants	2,928	–
Interest income on bank deposits	1,184	1,037
Technical service income	60	126
Compensation for relocation received	1,970	624
Others	4,605	1,069
	22,453	12,650

4. Finance Costs

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Interest on bank borrowings wholly repayable within five years	19,151	16,194

5. Income Tax Expense

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
The charge comprises:		
PRC income tax for current year	898	2,224
Deferred tax (credit) charge	(28)	15,122
	870	17,346

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% (2006: 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% (2006: 33%), except for Beijing Beiren Fuji Printing Machinery Company Limited which is taxed at 12% (2006: 12%). One of the Company's subsidiaries, Sheenlite Limited is a company incorporated in Hong Kong and is subject to Hong Kong Profits Tax at 17.5% (2006: 17.5%).

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% (2006: 15%).

According to document (Guoshuifa [2002] 47) issued by the State Administration of Taxation on 10 May 2002, the applicable income tax rate of the Company's subsidiary, Shanxi Beiren Printing Machinery Company Limited is 15% (2006: 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 (2006: 12%).

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. The tax rate of certain subsidiaries will change from 33% to 25 % from 1 January 2008. The Company and certain subsidiaries which are enjoying the tax holiday will continue until expiry while the preferential tax rates disclosed above will continue after the New Corporate Income Tax Law.

6. Profit (Loss) for the Year

	2007 RMB'000	2006 RMB'000
Profit (loss) for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment and investment properties	37,110	46,509
– Prepaid lease payments	3,252	2,700
– Intangible assets	1,130	1,130
Total depreciation and amortisation	41,492	50,339
Amortisation of income tax expenses for associates	–	558
Staff costs including directors' emoluments	221,659	199,708
Loss from disposal of associates	175	–
Allowance for trade and other receivables	15,607	21,700
Allowance for obsolete inventories	65,676	45,091
Research and development expenses	18,040	9,571
Auditors' remuneration	1,646	2,212
Impairment loss of goodwill	–	1,299
Loss from disposal of property, plant and equipment	–	1,050
Net foreign exchange losses	1,674	783
Cost of inventories recognised as an expense	751,998	767,603

7. Dividend

As approved by the 2005 annual general meeting, a dividend of RMB0.07 per share, totalling approximately RMB29,540,000 were approved. Such dividend were fully paid to the shareholders of the Company during the year ended 31 December 2006. No dividend was proposed by the directors for the two years ended 31 December 2007.

8. Earnings (Loss) Per Share

The calculation of basic earnings (loss) per share attributable to the equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of RMB5,192,000 (2006: loss of RMB119,794,000) and on the number of shares of 422,000,000 shares (2006: 422,000,000 shares) in issue during the year.

No diluted earnings (loss) per share is presented as the Company did not have any potential shares outstanding for the two years ended 31 December 2007.

9.3 Changes in accounting policies, estimation and methods compared to the last annual report are as follows:–

The Company originally implemented the former corporate accounting standard and regulations announced before 2006. As of 1 January 2007, we applied the new corporate accounting standard and confirmed, assessed and reported the Company's trades and events in line with the requirements of the new standard. The Company dealt with the changes in accounting policies arising from applying the new corporate accounting standard for the first time with the following measures:–

1. *Major changes in accounting policies accounted by retrospective adjustment method*

- (1) According to the former accounting standard and regulation, any excess of the initial investment cost of long term equity investment over the share of equity interest in the invested unit to be accounted as the lender's balance in the account of long term equity investment and amortised equally in the profit and loss within a certain period. Any shortfall of the initial investment cost of long term equity investment over the share of equity interest in the invested unit to be accounted as the borrower's balance in the account of long term equity investment and amortised equally in the profit and loss within a certain period if the investment is acquired before the issuance of the Cai Kuai [2003] No. 10, or to be included in the capital reserves if the investment is acquired after the issuance of Cai Kuai [2003] No.10.

In accordance with the new Accounting Standards for Business Enterprises, if the equity investment disparity generated from the long term equity investment due to business merger under common control was yet amortized on 1 January 2007, it should be fully written off. As at 31 December 2006, it was expected that Haimen Beiren would not be able to turn its loss into profit following a constant period of loss. Therefore, a full provision has been prepared for long term equity investment impairment on the unamortized amount of the borrower's balance in the account of long term equity investment. Such adjustment has no impact on the initial shareholders' equity interest, but the initial unallocated profit has been increased by Rmb191,214.44, the profit reserves has been decreased accordingly. As a result, the retrospectively adjusted profit for 2006 has been increased by Rmb1,231,361.11.

- (2) The Company's income tax was accounted by using payable taxation method, while under the new Accounting Standards for Business Enterprises the income tax to be accounted by using liabilities method through balance sheet. As at 1 January 2007, the temporary disparity between the book value of asset and liabilities and their tax basis should be used to recognize the deferred income tax asset or the deferred income tax liabilities in line with the relevant requirements. The disparity should also be used to adjust retained interest according to the influenced amount. Such adjustment has increased the initial unallocated profit by Rmb2,560,246.47, while the profit reserves, minority interest and net profit for 2006 have been increased by Rmb20,650.02, Rmb601,568.24 and Rmb698,217.62 respectively.

- (3) Dismissal benefits are compensations provided to employees whose employment contracts with the Company are terminated, including compensations paid to employees whose employment contracts are terminated prior to the expiry date by the Company with no regard to their own will. The Company also offers compensation to employees who accept voluntary dismissal prior to the expiry of their employment contracts. Besides, the Company implements an internal retirement scheme. According to the former accounting standards and regulations dismissal benefits are accounted as through profit and loss after actual payment, but according to the new Accounting Standards for Business Enterprises, dismissal benefits should be included in current profit and loss after meeting the requirements set out in Note 5 and Note 17(2). Such adjustment has lowered the initial unallocated profit by Rmb17,011,760.98 and net profit in 2006 has been reduced accordingly.
- (4) According to the former accounting standards and regulations, the Company's long term equity investment in its subsidiaries was accounted as using equity interest method. According to the Accounting Standards for Business Enterprises and Explanation for the Accounting Standards for Business Enterprises NO.1, the Company's long term equity investment in its subsidiaries to be accounted by using cost method instead of equity interest method, and the financial report was adjusted with equity interest method during its preparation and consolidation. The retrospective adjustment of such change in accounting policies posed no impact on shareholders' equity interest. However, due to this change the parent company's initial unallocated profit, profit reserves and the parent company's net profit for 2006 have been increased by Rmb12,168,950.94, Rmb584,874.50 and Rmb5,872,949.04 respectively, while the capital reserves have been decreased by Rmb6,582,228.83 accordingly.

As to the above changes in accounting policies, the Company has made retrospective adjustment and restated the financial statement in line with the Accounting Standards for Business Enterprises NO.38, Initial Adoption of Accounting Standards for Business Enterprises and related regulations.

9.4 There has been no correction on accounting errors during the reporting period.

9.5 Changes in scope of consolidation during the reporting period compared to the last annual report is as follows:

The scope of consolidation during the reporting period had been reduced by two subsidiaries as they are in liquidation, namely Hubei Beiren Printing Machinery Sales Company Limited and Zhejiang Beiren Printing Machinery Sales Company Limited. Save as above, there were no other changes.

By order of the Board of Directors
Beiren Printing Machinery Holdings Limited
Wang Guohua
Chairman

Beijing, the PRC
15 April 2008

As at the date of this announcement, the directors of the Company are Mr. Wang Guohua, Mr. Lu Chang'an, Mr. Zhang Peiwu, Mr. Yu Baogui, Mr. Jiang Jianming, Mr. Yang Zhendong and Mr. Deng Gang and the independent non-executive directors of the Company are Ms. Li Yijing, Mr. Shi Tiantao, Mr. Wu Hongzuo and Mr. Wu Wenxiang.