



**北人** 北人印刷機械股份有限公司  
**BEIREN** BEIREN PRINTING MACHINERY HOLDINGS LIMITED

(H Share Stock Code: 0187 ; A Share Stock Code: 600860)

**Company Mission:** To satisfy the demand for printing machinery products and services from users; to benefit the society and our shareholders, employees and customers as a whole; to ensure the maximization of our shareholders' gain.



UNAUDITED INTERIM REPORT  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

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**I. IMPORTANT NOTICES**

1. The board of directors (the "Board"), supervisory committee (the "Supervisory Committee") and the directors (the "Directors"), supervisors and senior management of the Company warrant that this report does not contain any false information, misleading statements or material omission and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the contents herein contained.
2. All Directors of the Company attended the Board meeting.
3. The financial statements of the interim report have not been audited.
4. None of our substantial shareholders has occupied the Company's capital.
5. 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 interim report.

**II. BASIC CORPORATE INFORMATION****(I) Basic corporate information**

- |  |   |  |
|--|---|--|
| (1) Chinese name of the Company  | : | 北人印刷機械股份有限公司   |
| Chinese abbreviation   | : | 北人股份   |
| English name of the Company  | : | Beiren Printing Machinery Holdings Limited   |
| English abbreviation   | : | BR   |
| (2) Place of listing of the Company's A Shares   | : | Shanghai Stock Exchange (SSE)  |
| Abbreviated name of A Shares   | : | 北人股份   |
| A Shares stock code  | : | 600860   |
| Place of listing of the Company's H Shares   | : | The Stock Exchange of Hong Kong Limited  |
| Abbreviated name of H Shares   | : | Beiren Printing  |
| H Shares stock code  | : | 0187   |
| (3) Registered address   | : | No. 6 Rong Chang Dong Street, Beijing Economic and Technological Development Zone, Beijing, the PRC  |
| The PRC Office address   | : | No. 6 Rong Chang Dong Street, Beijing Economic and Technological Development Zone, Beijing, the PRC  |
| Postal code  | : | 100176   |
| Internet website   | : | <a href="http://www.beirengf.com.cn">http://www.beirengf.com.cn</a>  |
| Email address  | : | beirengf@beirengf.com  |
| (4) Legal representative   | : | Mr. Wang Guohua  |
| (5) Secretary to the Board of Directors  | : | Ms. Jiao Ruifang   |
| Telephone number   | : | 86-010-67802565  |
| Facsimile number   | : | 86-010-67802570  |
| Email address  | : | beirengf@beirengf.com  |
| Correspondence address   | : | No. 6 Rong Chang Dong Street, Beijing Economic and Technological Development Zone, Beijing, the PRC  |
| Representative in charge of securities affairs   | : | Lu Ruiping   |
| Telephone number   | : | 86-010-67802565  |
| Facsimile number   | : | 86-010-67802570  |
| Email address  | : | beirengf@beirengf.com  |
| Correspondence address   | : | No. 6 Rong Chang Dong Street, Beijing Economic and Technological Development Zone, Beijing, the PRC  |
| (6) Newspapers designated for dissemination of the Company's information   | : | Shanghai Securities News   |
| Internet website Designated by China Securities Regulatory Commission (CSRC) for Publishing the Company's Interim Report | : | <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>  |
| Place for Inspecting the Company's Interim Report  | : | Secretariat of the Board of Directors of Beiren Printing Machinery Holdings Limited  |
| (7) Other basic 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 first change in business registration of the Company   | : | 24 December 2003   |
| Place of first change in business registration of the Company  | : | Beijing, the PRC   |
| Business registration number   | : | 1100001501595  |
| Tax registration number  | : | Jing Guo Shui Chao Zi 110105101717457  |
| Corporate Organizational Structure Code  | : | 101717457  |
| Domestic auditors of the Company   | : | ShineWing Certified Public Accountants   |
| Address of domestic auditors of the Company  | : | 9/F, Block A, Fu Hua Mansion No.8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing, China  |
| Overseas auditors of the Company   | : | SHINEWING (HK) CPA Limited   |
| Address of overseas auditors of the Company  | : | 16/F., United Centre, 95 Queensway, 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   | : | 26/F, Jardine House, Central, Hong Kong  |
| Reception of shareholder enquiries   | : | 10th and 20th of each month<br>(or on the following business day if it falls on a public holiday)<br>(Closed on Saturdays and Sundays)<br>9:00-11:00a.m. 2:00-4:00p.m. |

**(II) Major financial data and indices****1. Major accounting data and financial indices**

Unit: RMB

	By the end of the reporting period	By the end of the reporting period last year	Increase(+)/ decrease(-) %
Total assets	2,211,692,658.28	2,216,816,579.29	(0.23)
Equity holders' equity (or Shareholders' equity)	1,134,998,889.75	1,161,039,825.84	(2.24)
Net assets per share	2.69	2.75	(2.18)
	For the reporting period (January – June)	For the same period last year	Increase(+)/ decrease(-) %
Operating profit	(28,164,530.81)	8,230,853.84	(442.18)
Total profit	(23,677,203.00)	10,067,945.91	(335.17)
Net profit	(22,797,649.93)	11,221,224.96	(303.17)
Net profit after extraordinary items	(26,279,768.69)	10,025,501.84	(362.13)
Basic earnings per share	(0.05)	0.03	(266.67)
Basic earnings per share after extraordinary items	(0.06)	0.02	(400.00)
Return on net assets (%)	(2.01)	0.97	Decreased by 2.98 percentage points
Net cash flow from operating activities	(31,328,391.72)	26,783,180.64	(216.97)
Net cash flow per share from operating activities	(0.07)	0.06	(216.67)

**2. Extraordinary items and amount:**

Unit: RMB

Extraordinary items	Amount from the beginning to the end of the reporting period
Profit (loss) from disposal of non-current assets	2,366,730.23
Capital occupying fee from non-financial enterprises which are credited into current profit and loss, excluding capital occupying fee obtained from non-financial enterprises by financial institutes with operation qualification approved and established by the relevant department of the State	460,019.25
Other net non-operating income/expenses save for the above	655,369.28
<b>Total</b>	<b>3,482,118.76</b>

**3. Differences between the PRC and international accounting standards**

Unit: RMB'000

	Net profit		Net assets	
	Current period	Previous period	Opening	Closing
As reported under the PRC accounting standard	(22,798)	11,221	1,161,040	1,134,999
Sub-item and aggregate as adjusted under HK GAAP:				
1. Difference in valuation of assets contributed to the Company by Beiren Group Corporation	33	33	(11,855)	(11,822)
2. Difference in valuation of assets contributed to subsidiaries	16	16	(228)	(212)
3. Difference in recognition of good will upon acquisition of a subsidiary	0	0	3,135	3,135
4. Difference in recognition of deferred tax	0	(1,786)	1,622	1,622
5. Difference in recognition of transfer of diminution in value of assets	1,730	0	(1,730)	0
6. Others	43	3	(3,236)	(3,194)
<b>Prepared under HK GAAP</b>	<b>(20,976)</b>	<b>9,487</b>	<b>1,148,748</b>	<b>1,124,528</b>

During the year, the financial impact of differences between the PRC and international accounting standards on the net profit of the Company was RMB1,822,000. The main differences are as follows:

- (1) Adjustment in Valuation of assets contributed by Beiren Group Corporation: In accordance with HK GAAP, the land developing expense contributed by Beiren Group Corporation to the Company was accounted for as capital reserve. In accordance with Accounting Standards for Business Enterprises, the amount was recorded as the increase in long term deferred expenses. Accordingly, the related amortization charge of RMB33,000 for the year was written back in the accounts by the Company.
- (2) Difference in valuation of assets contributed to subsidiaries: In accordance with HK GAAP, the intangible assets invested by the Company into the subsidiaries with original cost of RMB4,624,000 should be written off. In accordance with Accounting Standards for Business Enterprises, the intangible assets were stated as assets of the Group. Accordingly, the related amount of amortization of RMB16,000 for the year was written back in the accounts by the Company.

## III. MOVEMENTS OF SHARE CAPITAL AND STATUS OF SHAREHOLDERS

## 1. Changes in shareholding

Unit: share

	Before the change		Issue of new shares	Bonus issues	Increase (+)/decrease (-)			After the change	
	Number	Percentage (%)			Conversion from reserve	Others	Sub-total	Number	Percentage (%)
(1) Shares subject to trading moratorium									
1. State-owned shares									
2. State-owned legal person shares	201,540,000	47.76					(21,100,000 )	180,440,000	42.76
3. Other domestic shares									
Including:									
Domestic non-state-owned legal person shares									
Domestic public shares									
4. Foreign shares									
Including:									
Overseas legal person shares									
Overseas public shares									
Total of shares subject to trading moratorium	201,540,000	47.76					(21,100,000 )	180,440,000	42.76
(2) Circulating shares not subject to trading moratorium									
1. Rerminbi Ordinary shares	120,480,000	28.55					21,100,000	141,560,000	33.55
2. Foreign shares listed domestically									
3. Foreign shares listed overseas	100,000,000	23.69						100,000,000	23.69
4. Others									
Total circulating shares not subject to trading moratorium	220,480,000	52.24					21,100,000	241,560,000	57.24
(3) Total shares	422,000,000	100					0	422,000,000	100

Note: About the changes in shareholding:

Share Segregation Reform of the Company was approved by related general meeting on 20 March 2006 and came into effect on 29 March 2006 (being the equity registration date), and the Company resumed listing for the first time after the implementation on 31 March 2006. According to the Share Segregation Reform, shares subject to trading moratorium held by the Company were 222,640,000 shares, of which 21,100,000 shares were listed for circulation in the market on 5 June 2007 and 21,100,000 shares were listed for circulation in the market on 22 May 2008, and the nature of shareholding has changed accordingly. Announcement of Listing of Circulating Shares subject to Trading Moratorium of the Beiren Printing Machinery Holdings Limited was disclosed by the Company on 30 May 2007 and on 20 May 2008.

## 2. Status of shareholders

### (1) Number of shareholders and their shareholding

Unit: share

#### Particulars of top ten shareholders

**Total number of shareholders at the end of the reporting period** **33,081 (including: 32,990 A share holders, 91 H share holders)**

Name of shareholder	Nature of shareholder	Percentage in share capital (%)	Number of shares held	Increase/ decrease during the reporting period	Number of shares subject to trading moratorium	Number of Shares pledged or frozen
Beiren Group Corporation	State-owned legal person	52.76	222,640,000	0	180,440,000	None
HKSCC NOMINEES LIMITED	Unknown	23.44	98,929,199	(112,000)	0	Unknown
Ren zhiqiang	Unknown	0.19	812,593	812,593	0	Unknown
Su Guorong	Unknown	0.18	772,360	105,500	0	Unknown
Beijing BBEF Electronics	Unknown	0.17	722,100	722,100	0	Unknown
Xie Xuhong	Unknown	0.16	680,000	(50,000)	0	Unknown
Liao Jingqiu	Unknown	0.15	647,400	647,400	0	Unknown
Ke jingfang	Unknown	0.12	503,500	503,500	0	Unknown
Xu Yihan	Unknown	0.09	380,000	380,000	0	Unknown
Yang Wei	Unknown	0.09	375,300	375,300	0	Unknown

#### Particulars of top ten holders of shares not subject to trading moratorium

Name of shareholder	Number of shares not subject to trading moratorium held	Class of shares
HKSCC NOMINEES LIMITED	98,929,199	Foreign shares listed overseas
Beiren Group Corporation	42,200,000	Renminbi ordinary shares
Ren Zhiqiang	812,593	Renminbi ordinary shares
Su Guorong	772,360	Renminbi ordinary shares
Beijing BBEF Electronics	722,100	Renminbi ordinary shares
Xie Xuhong	680,000	Renminbi ordinary shares
Liao Jingqiu	647,400	Renminbi ordinary shares
Ke Jingfang	503,500	Renminbi ordinary shares
Xu Yihan	380,000	Renminbi ordinary shares
Yang Wei	375,300	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 or parties acting in concert among the top ten holders of shares not subject to trading moratorium, nor is the Company aware of any connected relationship among the top ten holders of shares not subject to trading moratorium and top ten shareholders.

Notes:

1. 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 more than 5% of the total share capital of the Company.
2. Save as disclosed above, as at 30 June 2008, Directors were not aware of any person (not being a Director, supervisor or chief executive of the Company) had 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.
3. There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.
4. As at 30 June 2008, the Company did not issue any convertible securities, options, warrants or any other similar right.

#### Particulars of Shares held by Top Ten Holders of Shares subject to Trading Moratorium and Trading Moratorium

Unit: share

##### Particulars of Shares subject to Trading Moratorium available for listing and trading

No.	Name of holder of shares subject to trading moratorium	No. of shares subject to trading moratorium held	Trading moratorium expires on	No. of additional shares available for		Trading moratorium
				listing and trading after expiring of trading moratorium	Trading moratorium	
1.	Beiren Group Corporation	222,640,000	5 June 2007	21,100,000	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 in the A share market 30 trading days before the announcement of the Share Segregation Reform Proposal.	
			22 May 2008	42,200,000		
			31 March 2009	222,640,000		

#### (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.

#### IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

##### 1. Changes in shareholding of Directors, supervisors and senior management

Name	Position	Shareholding at the beginning of the year	Increase in the no. of shares held during the reporting period	Decrease in the no. of shares held during the reporting period	Shareholding at the end of the reporting period	Reason for the change
Wang Guohua	Chairman	1,656	0	0	1,656	–
Lu Changan	Vice Chairman	6,624	0	0	6,624	–
Zhang Peiwu	Executive Director and General Manager	0	0	0	0	–
Yu Baogui	Non-executive Director	5,796	0	0	5,796	–
Yang Zhendong	Executive Director and Deputy General Manager	0	0	0	0	–
Jiang Jianming	Executive Director, Chief Accountant	0	0	0	0	–
Deng Gang	Non-executive Director	0	0	0	0	–
Wu Wenxiang	Independent non-executive Director	0	0	0	0	–
Wu Hongcho	Independent non-executive Director	0	0	0	0	–
Li Yijing	Independent non-executive Director	0	0	0	0	–
Shi Tiantao	Independent non-executive Director	0	0	0	0	–
Xiao Maolin	Chairman of Supervisory Committee	0	0	0	0	–
Xue Kexin	Supervisor	0	0	0	0	–
Tian Furen	Supervisor	4,258	0	0	4,258	–
Jiao Ruifang	Company secretary to the Board	0	0	0	0	–
Kong Dagang	Deputy General Manager	0	0	0	0	–
Liu Jing	Deputy General Manager	0	0	0	0	–

##### 2. Changes in shareholding of newly appointed Directors, supervisors and senior management

Name	Position	Shareholding at the beginning of the year	Increase in the no. of shares held during the reporting period	Decrease in the no. of shares held during the reporting period	Shareholding at the end of the reporting period	Reason for the change
Bai Fan	Non-executive Director	0	0	0	0	–
Xu Wencai	Independent non-executive Director	0	0	0	0	–
Wang Hui	Independent non-executive Director	0	0	0	0	–
Xie Bingguang	Independent non-executive Director	0	0	0	0	–
Wang Deyu	Independent non-executive Director	0	0	0	0	–
Guo Xuan	Supervisor	0	0	0	0	–
Shao Zhenjiang	Supervisor	0	0	0	0	–

Notes:

- Save as disclosed above, none of the Directors, supervisors and senior management of the Company, as at 30 June 2008, 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 was required to be recorded in the register under section 352 of the SFO, nor which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.
- 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 30 June 2008.
- Save as those set out in the register required to be maintained by Directors and supervisors under section 352 of the SFO, during the reporting period, 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, nor did the directors or supervisors had any interest which was required to be recorded in the register under section 352 of the SFO.

### 3. Appointment or dismissal of Directors, supervisors and senior management

The 2007 Annual General Meeting of the Company was held on 18 June 2008, at which re-election of the Board of Directors of the Company and re-election of the Supervisory Committee of the Company were considered and approved. Mr. Wang Guohua, Mr. Deng Gang, Mr. Bai Fan, Mr. Zhang Peiwu, Mr. Yu Baogui, Mr. Yang Zhendong, Mr. Jiang Jianming, Mr. Xu Wencai, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu were elected as Directors of the sixth Board of Directors of the Company, among whom Mr. Xu Wencai, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu were appointed as Independent Non-executive Directors. Mr. Xiao Maolin, Mr. Guo Xuan and Mr. Shao Zhenjiang were elected as supervisors of the sixth Supervisory Committee.

After consideration and approval in the First Session of the sixth Board of Directors' Meeting, Mr. Wang Guohua was elected as Chairman of the sixth Board of Directors of the Company and Mr. Deng Gang was elected as Vice Chairman of the sixth Board of Directors of the Company.

After consideration and approval in the First Session of the sixth Board of Directors' Meeting and as nominated by the Chairman, Mr. Zhang Peiwu was appointed as General Manager of the Company. Ms. Jiao Ruifang was appointed as Secretary to the Board of the Company. As nominated by the General Manager, Mr. Yang Zhendong, Mr. Kong Dagang and Mr. Liu Jing were appointed as Deputy General Manager of the Company. Mr. Jiang Jianming was appointed as Chief Accountant of the Company.

All the above personnel were elected or appointed with a term of three years commencing from 14 July 2008 to 13 July 2011.

Due to the expiry of their tenure of offices, Mr. Lu Chang'an retired as Non-executive Directors of the Company with effect from 13 July 2008, Mr. Wu Wenxiang, Ms. Li Yijing, Mr. Wu Hongcho and Mr. Shi Tiantao retired as Independent Non-executive Directors of the Company with effect from 13 July 2008.

The Board hereby extend its most sincere appreciation to the retired directors for their valuable contributions to the Company.

Due to the expiry of their tenure of offices, Mr. Xue Kexin and Mr. Tian Furen retired as supervisors of the Company with effect from 13 July 2008.

## V. DIRECTORS' REPORT

### 1. Discussion and analysis of overall operation during the reporting period

On the macroeconomic front, the U.S. sub-prime mortgage crisis had triggered a global economic turmoil, and the price surge of primary commodities, such as crude oil and food, had resulted in a world-wide inflation. In China, the economic growth had started to slow down due to the macroeconomic control policies. All these and other factors such as Renminbi appreciation, tax rebate rate cut and higher costs of raw materials and labor, had greatly squeezed the profit of downstream printing enterprises. Some printing enterprises were forced to transform, disinvest or even close down. The above factors have caused a significant shrink in the overall demand for printing machinery equipments.

Faced with such challenging market conditions, the Company was quick to respond to the change of market demand. We actively adjusted the input of production resources to lower operating risks. The operating results for the first half of the year, however, were still some disappointing. Up to the end of June, in accordance with the PRC Accounting Standard, the operating income amounted to RMB399,620,400, and the net loss amounted to RMB22,797,600. In accordance with the new Hong Kong Financial Report Standard ("new HKFRS"), the turnover amounted to RMB392,980,000 and the net loss amounted to RMB20,980,000.

### 2. Review of the major events during the first half of 2008

- (1) Based on the analysis regarding the market environment and the industry trend, we carried on the assessment on the implementation of the 11th Five-Year Plan and then conducted the review on the competition strategies of subsidiaries to accelerate the implementation of the Company's overall strategy. We were committed to enhance the corporate governance. During the first half of the year, we improved the subsidiaries' understanding on corporate governance and laid the foundation for further strengthening the management and control over subsidiaries by holding the promotion, implementation and training meeting on the corporate governance and parent company's control over subsidiaries (公司治理及母子公司管控宣貫暨培訓大會).
- (2) We further strengthened the Company's rapid response ability according to customers' demand. After the great Sichuan earthquake disaster, the Company immediately resolved to organize a customer service circuit team to provide on-site service in the quake-hit areas. This move had received high recognition from customers in the quake-hit areas and the public media. To meet customers' requirements that the installation and testing of BEIREN75A medium-scale newspaper presses should be completed and the products should be delivered before the opening of the 2008 Beijing Olympic Games, the web-fed paper subsidiary accomplished the task with high quality and full quantity on a timely basis, fully reflecting our management philosophy of "customer-oriented".
- (3) By actively responding to changes in the market, the Company continued to enhance the operation quality and lower operating risks. We successfully offset part of the pressure from the rising cost of raw materials through the careful selection of suppliers. At the same time, we improved the Company's risk-resistance ability and operation efficiency by further promoting production management fragmentation and quantifying, actively implementing measures to control capital occupation, decreasing the occupation of inventories and reducing accounts receivables.
- (4) The Company carried through the reform of management system focused on budget management by establishing the budget system with subsidiaries as principle that highly correlated to the performance assessment, so as to motivate the staff's enthusiasm and creativity and fully enhance the management efficiency and operating results of the Company.
- (5) We have improved the quality assurance system and streamlined the quality management process. During the first half of the year, all subsidiaries have passed the external quality certification, and the Company also passed the product certification in one try and had received the certificate for product certification. At the same time, we have finished the Chinese famous brand application work for sheet-fed lithographic printing presses.

### 3. Scope and status of principal operations

#### (1) Scope of principal operations:

Development, design, production 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; 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) Principal operation by sector and product

Currency: RMB

Product	Operating income	Operating cost	Gross profit margin (%)	Increase	Increase	Increase
				(/Decrease) in operating income over the same period last year (%)	(/Decrease) in operating cost over the same period last year (%)	(/Decrease) in gross profit margin over the same period last year (%)
Sales of set print machine	236,772,257.78	186,030,382.13	21.43	(42.87)	(43.46)	Increased by 0.82 percentage points
Sales of Intrusion printers	106,165,123.66	82,308,887.56	22.47	16.11	24.03	Decreased by 4.95 percentage points
Sales of Form presses	20,789,890.56	17,191,499.08	17.31	33.21	26.64	Increased by 4.29 percentage points
Printing services	17,066,345.56	12,723,287.25	25.45	36.60	36.76	Decreased by 0.09 percentage points
Spare parts	11,962,082.51	16,859,661.05	(40.94)	(8.95)	80.37	Decreased by 69.80 percentage points
Others	1,177,635.20	887,943.37	24.60	(60.88)	(48.37)	Decreased by 18.28 percentage points
<b>Total</b>	<b>393,933,335.27</b>	<b>316,001,660.44</b>	<b>19.78</b>	<b>(28.39)</b>	<b>(26.39)</b>	<b>Decreased by 2.18 percentage points</b>

Including: During the reporting period, the amount of products sold and service provided in the connected transactions from the Company to the controlling shareholder and its subsidiaries amounted to RMB5,064,100.

#### (3) Principal operation by geographical segment

Currency: RMB

Region	Operating income	Increase
		(/Decrease) in operating income over last year (%)
PRC	366,687,435.36	(27.99)
Outside PRC	27,245,899.91	(33.35)
<b>Total</b>	<b>393,933,335.27</b>	<b>(28.39)</b>

#### (4) Operations of Equity Participation Companies (Applicable to those whose investment profit takes up more than 10% of the Company's net profit)

Unit: RMB

Name of company	Scope of business	Net profit	Investment profit	Percentage in
			contributed by Equity Participation Companies	the net profit of the Company (%)
Beijing Monigraf Automatic Systems Company Limited	Development, design, manufacture and sales of automations of printing machines; sales of printing equipments and printing materials; provide relevant installation, test, repair and consulting services of self manufactured products	1,483,317.92	726,825.78	3.19
Beijing Beiyang Printing and Casting Company Limited	Processing and sales of standard and non-standard parts; manufacture of castings and processing of molds; technology development and transfer; consulting and other service	4,294,046.80	858,809.36	3.77

#### (5) Explanation on major movements in the profitability of principal operation (gross profit margin) compared to previous year

The decrease in gross profit margin during the period is due to the increase of cost per unit caused by the price surge of raw materials and the reduction in total output.

**4. 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 utilization of proceeds subsisted in this reporting period.

**(2) Projects financed by non-raised fund**

No project financed by non-raised fund in this reporting period.

**5. Turnover (prepared in accordance with the HKFRS)**

	For the six months ended 30 June	
	2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)
Sales of printing machines	363,727	521,693
Sales of spare parts	13,140	15,922
Provision of printing services	17,066	12,494
Total sales	393,933	550,109
Less: Sales tax and other surcharges	(953)	(3,566)
	392,980	546,543

**6. Business and geographical segment (prepared in accordance with the HKFRS)**

The Group's revenue and results are substantially derived from the manufacture and sales 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.

**7. Income tax expense (prepared in accordance with the HKFRS)**

	For the six months ended 30 June	
	2008 RMB'000 unaudited	2007 RMB'000 unaudited
The charge comprises:		
PRC income tax for the period	104	504
Deferred tax (credit) charge	(183)	715
	(79)	1,219

The PRC income tax of the Company is calculated at the rate of 25% (2007: 15%) on the estimated assessable profits for the period. 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 25% (2007: 33%), except for Shaanxi Beiren Printing Machinery Company Limited which is taxed at 15% (2007: 15%) and Beijing Beiren Fuji Printing Machinery Company Limited which is taxed at 12.5% (2007: 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% (2007: 17.5%).

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 became 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 changed from 33% to 25% from 1 January 2008. The Company and certain subsidiaries continue to enjoy the preferential tax rates disclosed below after the New Corporate Income Tax Law until expiry.

According to document (Guoshuifa [2008] 17) "Notice of Provision of Enterprises Income Tax" ("關於企業所得稅預徵問題的通知") issued by the State Administration of Taxation in 2008, the advanced technology enterprises in Beijing will be reassessed. So the Company is using 25% (2007: 15%) for the provision of the income tax.

According to document (Caishuizi [2008] 21) "Notice of Application of Transitional Preferential Policy on Enterprises Income Tax" ("關於貫徹落實國務院關於實施企業所得稅過渡優惠政策有關問題的通知") issued by the State Administration of Taxation on 4 February 2008, the applicable income tax rate of the Company's subsidiary, Shaanxi Beiren Printing Machinery Company Limited is 15% (2007: 15%).

According to document (Caishuizi [2008] 21) issued by the State Administration of Taxation, the applicable income tax rate of the Company's subsidiary, Beijing Beiren Fuji Printing Machinery Company Limited is 25%, this subsidiary will continue to receive the income tax relief granted in previous years. According to document (Guoshuzhishujianmianzi [2006] 2) "Reply on the Application of Enterprises Income Tax Relief on Advance Technology Enterprises by Beijing Beiren Fuji Printing Machinery Company Limited" ("關於對北京北人富士印刷機械有限公司申請享受先進技術的企業所得稅減免問題的批覆") 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 12.5% on the estimated assessable profits for the period (2007: 12%).

The Group does not have any significant tax liabilities in any other jurisdiction.

**8. Profit (loss) during the period (prepared in accordance with the HKFRS)**

	For the six months ended 30 June	
	2008 RMB'000 unaudited	2007 RMB'000 unaudited
Profit (loss) during the period has been arrived at after charging (crediting) :		
Depreciation and amortisation	25,652	24,573
Share of the PRC income tax of associates (included in share of results of associates)	250	190
Loss (profit) on disposal of property, plant and equipment	(4,572)	192
Interest income	(342)	(662)
Gain on disposal of subsidiaries and associates	-	(1,595)

**9. Dividends (prepared in accordance with the HKFRS)**

No dividends were paid during the period.

The Board do not recommend the payment of any interim dividend.

**10. Earnings (loss) per share (prepared in accordance with the HKFRS)**

The calculation of basic loss/earnings per share attributable to the equity holders of the Company is based on the loss for the period attributable to equity holders of the Company of RMB20,976,000 (2007: a profit of approximately RMB9,487,000) and on the number of 422,000,000 shares (2007: 422,000,000 shares) in issue during the period.

As there were no diluting shares in issue for the Company during the periods ended 30 June 2008 and 2007, no diluted loss/earnings per share is presented during these two periods.

**11. Share capital (prepared in accordance with the HKFRS)**

	RMB'000
Registered, issued and fully paid:	
At 1 January 2007, 30 June 2007, 31 December 2007 and 30 June 2008	
322,000,000 A shares of RMB1 each	322,000
100,000,000 H shares of RMB1 each	100,000
	422,000

**12. Contingent liabilities**

As at 30 June 2008, the Company did not have any material contingent liabilities.

**13. Business outlook for the second half of 2008**

In the second half of 2008, due to the increased uncertainties in the economic condition of China and abroad, as well as China's on-going macroeconomic control, the profit of the printing industry and the internal investment demand of enterprises have been substantially slashed, which has in turn made it difficult for the printing machinery market to recover in the short term. The Company will take the following measures to actively tackle the challenge in the market.

- (1) Strengthen the management of strategic process. Based on the movement of market conditions, the Company will continue to assess the implementation of the 11th Five-Year Plan, identify the development target for the following period, and conduct the periodical concluding assessment for the six functional strategies, namely marketing, technological research and development, production management, financial management, human resources and corporate culture, to further put into effect the implementation scheme.
- (2) Enhance the implementation of corporate governance and parent company's control over subsidiaries and streamline the internal control system. Pursuant to Internal Control System approved by the Board, the Company will streamline and improve the internal control over all business processes in our operations.
- (3) Strengthen supply chain management and promote the mutual development between the Company and our suppliers. We will be committed to seek and foster the cooperation with premium suppliers with strong supply ability and consistent quality, so as to form a long-term strategic partnership by integrating the cooperation system.
- (4) Enhance budget management and establish cost management system. We will increase our efforts in capital control and allocation. We will enhance our ability in production cost deviation analyzing by setting up budget implementation deviation analytic system, in a view to establish an integrated parent-subsidiary budget management system.
- (5) Speed up the research and development and the launch of new products, enhance the competitiveness of our high-end products. Judging the trend of offset printing machines on Drupa Exhibition, the product types outlined and fostered by our 11th Five-Year Plan are in line with the characteristics of the development of printing machinery technology. The emphasis of our future work will be continuously improving manufacture techniques, enhancing product quality consistency, boosting autoimmunization and production efficiency of printing machines, as well as strengthening technical cooperation with our partners.
- (6) Insist on the principle of innovative management and accelerate structural innovation. We will establish a comprehensive management platform to facilitate the organic integration of corporate strategy, performance, process and information system, speeding up Beiren's transformation from "function-oriented organization" to "process-oriented organization". In order to achieve high corporate performance, we will set up six cross-functional project groups to carry out further innovation of the corporation.

## VI. SIGNIFICANT EVENTS

### 1. Corporate governance

During the reporting period, under the requirements of laws and regulations including Company Law and Securities Law and relevant documents relating to corporate governance issued by CSRC and SSE, the Company, after taking into consideration the Company's specific situation, had established a sound corporate governance structure, formulated and continued to amend and improve relevant rules and regulations to make sure that all the rules were effectively implemented. As a result of the above efforts, a clear hierarchy of authority and responsibility for the Company's general meeting, board of directors and the senior management that allowed each performs its own functions in a proper manner was established; the disclosure of company information was true, accurate, complete and in time; the specialized committees of the board of directors performed according to their own functions; the independent directors played important role in issues such as connected transaction and financial audit.

To further enhance our corporate operation and corporate quality, the Company had finished Internal Investigation Report of Preventing the Recurrence of Capital Occupancy and Enhancing Corporate Governance (開展防止資金佔用問題反彈和推進公司治理專項工作的自查報告) and Explanation For the Progress of Strengthening the Corporate Governance of the Company (《關於公司治理專項活動整改情況的說明》) according to the requirements of relevant notices issued by CSRC and Beijing Securities Regulatory Commission (BSRC), and both documents had been passed by the 2nd meeting of the sixth Board of Directors and announced on 25 July 2008.

### 2. Implementation of profit distribution plan during the reporting period

There was no such condition during the reporting period.

### 3. Proposal on profit distribution and conversion of surplus reserves into share capital determined every half year

There was no profit distribution plan and no plan to convert surplus reserves into share capital in the first half of 2008.

### 4. Material litigation and arbitration

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

### 5. Assets transactions

During the reporting period, the Company has no acquisition, disposal, merger or takeover of assets.

### 6. Material connected transactions

#### (1) Non-operating connected debts and liabilities

Unit: RMB10,000

Name of connected party	Connection	Capital provided to connected parties		Capital provided to the Company by connected parties	
		Incurred amount	Balance	Incurred amount	Balance
Beiren Group Corporation	Controlling shareholder	0	0	0.13	1,236.5
Total		0	0	0.13	1,236.5

During the reporting period, the amount provided by the Company to the controlling shareholder and its subsidiaries was RMB0, and the balance was RMB0.

Connected debts and liabilities were attributable to amount payable to Beiren Group Corporation arising from the acquisition of the No. 4 Factory (the current rolling paper subsidiary) in 2000.

### 7. Custody

During the reporting period, the Company had no custody.

### 8. Contracting

During the reporting period, the Company had no contracting.

### 9. Leases

During the reporting period, the Company had no leases.

**10. Guarantee**

Unit: RMB10,000

Guarantee provided to external parties by the Company (not including guarantee provided to the controlling subsidiaries of the Company)	
Total amount of guarantee provided during the reporting period	
Total amount of outstanding guarantee provided as at the end of the reporting period	
Guarantee provided to the subsidiaries of the Company	
Total amount of guarantee provided to the controlling subsidiaries during the reporting period	1,750
Total amount of outstanding guarantee provided to the controlling subsidiaries as at the end of the reporting period	1,750
Total amount of guarantee granted by the Company (including guarantee provided to the controlling subsidiaries of the Company)	
Total amount of guarantee	1,750
Percentage of the total amount of guarantee to the net assets of the Company	1.5%
Of which:	
Amount of guarantee provided to the shareholders, beneficial controller and their connected parties	
Amount of guarantee provided directly or indirectly to borrowers with gear ratio of over 70%	
Total amount of guarantee exceeding 50% of net assets	
<b>Total amount of the above three guarantees</b>	<b>1,750</b>

**11. Asset management on trust**

During the reporting period, the Company had no asset management on trust.

**12. Performance of undertakings**

The sole holder of non-circulating shares of the Company Beiren Group Corporation 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/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 which constitutes ex-rights or ex-dividend events from the date of implementation of the Share Segregation Reform Proposal till the disposal of shares the price thereof shall be treated as ex-right basis.

During the reporting period, the sole holder of non-circulating shares of the Company Beiren Group Corporation had been in strict compliance of its commitments concerning the Share Segregation Reform.

**13. Appointment or dismissal of the accountants of the Company**

During the reporting period, the Company re-appointed ShineWing Certified Public and SHINEWING (HK) CPA Limited as its domestic and overseas auditors respectively.

**14. The punishment and rectification of the Company, its Directors, supervisors, senior management, shareholders of the Company and beneficial controller**

During the reporting period, the Company and its Directors, supervisors, senior management, shareholders and beneficial controller were not subject to any investigation, administration punishments and criticisms by the CSRC or public reprimand by any stock exchange.

**15. Other significant events****(1) Income tax**

On 16 March 2007, the government of the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax by Order No. 63 of the President of the People's Republic of China with effect from 1 January 2008. According to document (Guoshuifa [2008] 17) "Notice of Provision of Enterprises Income Tax" ("關於企業所得稅預繳問題的通知") issued by the State Administration of Taxation in 2008, the advanced technology enterprises in Beijing will be reassessed. So the Company is using 25% (2007: 15%) for the provision of the income tax.

**(2) Deposits and loans**

The deposit of RMB5,000,000 placed with Ying Peng Cooperative Credit Union, Bai Yin, Gansu Province was not recovered and was in the process of liquidation by relevant authorities. The deposit represents approximately 0.4% of the Company's net assets and hence will have no material effect on the Company's operations. The Company has made a provision for the loss amounting to RMB5,000,000.

**(3) Audit Committee**

The unaudited 2008 Interim Report has been reviewed by the audit committee of the Board of Directors.

**(4) Code on Corporate Governance Practices**

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 "Listing Rules"). 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 3.24 of the Listing Rules.

**(5) Model Code for securities transactions by directors and supervisors**

During the reporting period, the Company has adopted a set of code of practice regarding securities transactions by directors and supervisors on terms no less exacting than the standards set out in the Model Code for Securities Transactions by directors of Listed Issuers in Appendix 10 to the Listing Rules. Having made specific enquiry to all directors and supervisors of the Company, each of the Directors and supervisors has complied with the required standards set out in the Model Code within the 6 months ended 30 June 2008.

**(6) During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.****(7) The changes in scope of the consolidation for the reporting period**

The Company conducted liquidation on two subsidiaries in 2007: Hubei Beiren Printing Machinery Sales Ltd. and Zhejiang Beiren Printing Machinery Sales Ltd. The balance sheets of these two companies were not consolidated for the year of 2007. The Income Statements of these two companies for the first half year of 2007 were included in the scope of consolidation, yet their Income Statements for the first half year of 2008 were not included in the scope of consolidation.

Except for the events mentioned above, the scope of consolidation of the financial statement for the current year is the same as that of the last year.

## 16. Access to Discloseable Information

<b>Events</b>	<b>Name and page of the publication</b>	<b>Date of Publishing</b>	<b>Websites and path of publication</b>
Announcement in relation to unusual share movements	"Shanghai Securities" page D8	4 January 2008	Shanghai Stock Exchange <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> Hong Kong Stock Exchange <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Announcement Estimated business performance of the financial year 2007-turning deficit into profit	"Shanghai Securities" page D19	30 January 2008	Same as above
Announcement for resolution passed at the 23rd meeting of the fifth Board of Directors	"Shanghai Securities" page A44	1 March 2008	Same as above
2007 Annual Report summary	"Shanghai Securities" page D11	16 April 2008	Same as above
Announcement for the resolutions passed at the 24th meeting of the fifth Board of Directors	"Shanghai Securities" page D11	16 April 2008	Same as above
Announcement of resolutions passed by the Supervisory Committee	"Shanghai Securities" page D11	16 April 2008	Same as above
Indicative announcement on decline in results for the first quarter	"Shanghai Securities" page D11	16 April 2008	Same as above
Announcement in relation to unusual share movements	"Shanghai Securities" page A47	21 April 2008	Same as above
2008 first Quarterly Report	"Shanghai Securities" page D74	25 April 2008	Same as above
Notice of 2007 Annual General Meeting	"Shanghai Securities" page D173	30 April 2008	Same as above
Supplemental notice of 2007 annual reporting	"Shanghai Securities" page 23	10 May 2008	Same as above
Announcement relating to the listing of restricted circulating A shares of the Company	"Shanghai Securities" page D12	20 May 2008	Same as above
Announcement of resolutions passed at the 2007 Annual General Meeting	"Shanghai Securities" page D5	19 June 2008	Same as above
Announcement of resolutions passed at the 1st meeting of the sixth Board of Directors	"Shanghai Securities" page D5	19 June 2008	Same as above
Announcement of resolutions passed at the 1st meeting of the sixth Supervisory Committee	"Shanghai Securities" page D5	19 June 2008	Same as above

## VII. FINANCIAL STATEMENTS (UNAUDITED)

## THE CONSOLIDATED BALANCE SHEET

Assets	Appendix	Consolidated Amount	
		30 June 2008 RMB	31 December 2007 RMB
<b>Current Assets</b>			
Cash	VIII.1	56,985,822.53	108,403,575.44
Financial Assets Holding for Trading		-	-
Notes Receivable	VIII.2	19,894,164.00	36,936,053.79
Accounts Receivable	VIII.3	399,499,675.35	416,639,166.10
Prepayments	VIII.4	37,578,821.54	32,341,619.65
Interests Receivable		-	-
Dividends Receivable		-	-
Other Accounts Receivable	VIII.5	36,611,825.62	33,920,379.26
Inventory	VIII.6	779,457,507.55	683,335,578.50
Non-current Assets Maturing Within One Year		-	-
Other Current Assets		-	-
<b>Total Current Assets</b>		<b>1,330,027,816.59</b>	<b>1,311,576,372.74</b>
<b>Non-current Assets</b>			
Available For Sale Financial Assets		-	-
Held-to-Maturity Investment		-	-
Long-term Accounts Receivable		-	-
Long-term Equity Investment	VIII.7	25,949,604.80	24,191,198.13
Investment Property	VIII.8	16,452,238.42	16,996,936.50
Fixed Assets	VIII.9	684,974,817.21	704,278,788.60
Construction In Progress	VIII.10	7,335,637.88	11,363,808.87
Project Materials		-	-
Liquidation Of Fixed Assets		-	-
Biological Asset		-	-
Oil and Gas Assets		-	-
Intangible Assets	VIII.11	131,772,241.99	133,379,306.24
Development Expenditure		-	-
Goodwill		-	-
Long-term Prepaid Expense	VIII.12	12,029,291.10	12,062,291.10
Deferred Income Tax Assets	VIII.13	3,151,010.29	2,967,876.81
Other Non-current Assets		-	-
<b>Total Non-current Assets</b>		<b>881,664,841.69</b>	<b>905,240,206.55</b>
<b>Total Assets</b>		<b>2,211,692,658.28</b>	<b>2,216,816,579.29</b>

## THE CONSOLIDATED BALANCE SHEET (continued)

Liabilities and Shareholder's Equity	Appendix	Consolidated Amount	
		30 June 2008 RMB	31 December 2007 RMB
<b>Current Liabilities</b>			
Short-term Loan	VIII.14	370,152,250.00	365,079,750.00
Tradable Financial Liabilities		-	-
Notes Payable	VIII.15	25,000,000.00	43,674,009.30
Accounts Payable	VIII.16	380,311,882.06	345,116,144.28
Advances From Customers	VIII.17	90,727,956.66	77,570,563.28
Employee Benefit Payable	VIII.18	49,004,620.89	53,824,488.63
Taxes Payable	VIII.19	(1,676,576.52)	3,457,259.94
Interests Payable		-	-
Dividends Payable		-	-
Other Payables	VIII.20	55,491,023.41	56,569,045.82
Non-current Liabilities Maturing Within One Year	VIII.21	29,550,000.00	29,550,000.00
Other Current Liabilities		1,694,363.00	1,697,174.93
<b>Total Current Liabilities</b>		<b>1,000,255,519.50</b>	<b>976,538,436.18</b>
<b>Non-current Liabilities</b>			
Long-term Loan	VIII.22	27,000,000.00	29,000,000.00
Bonds Payable		-	-
Long-term Accounts Payable		-	-
Special Payable		-	-
Estimated Liabilities	VIII.23	266,891.98	266,891.98
Accrued Liabilities		-	-
Deferred Income Tax Liabilities		-	-
Other Non-current Liabilities		4,325,145.86	4,325,145.86
<b>Total Non-current Liabilities</b>		<b>31,592,037.84</b>	<b>33,592,037.84</b>
<b>Total Liabilities</b>		<b>1,031,847,557.34</b>	<b>1,010,130,474.02</b>
<b>Shareholder's Equity</b>			
Capital Stock	VIII.24	422,000,000.00	422,000,000.00
Capital Reserves	VIII.25	523,020,271.06	523,020,271.06
Less: Treasury Stock		-	-
Surplus Reserves	VIII.26	198,928,288.88	198,928,288.88
Undistributed Profit	VIII.27	(6,737,496.26)	16,060,153.67
Converted Difference in Foreign Currency Statements		(2,212,173.93)	1,031,112.23
<b>Total Shareholder's Equity Attributed to the Parent</b>		<b>1,134,998,889.75</b>	<b>1,161,039,825.84</b>
Minority Shareholder's Equity	VIII.28	44,846,211.19	45,646,279.43
<b>Total Shareholder's Equity</b>		<b>1,179,845,100.94</b>	<b>1,206,686,105.27</b>
<b>Total Liabilities and Shareholder's Equity</b>		<b>2,211,692,658.28</b>	<b>2,216,816,579.29</b>

The attached appendix is part of the financial statements.

Legal Person: Wang Guohua

Accounting Director: Zhang Peiwu

Accounting Manager: Jiang Jianming

## THE BALANCE SHEET OF THE PARENT

Assets	Appendix	Consolidated Amount	
		30 June 2008 RMB	31 December 2007 RMB
<b>Current Assets</b>			
Cash		30,440,864.57	76,686,356.44
Financial Assets Holding for Trading		-	-
Notes Receivable		10,096,864.00	26,497,521.72
Accounts Receivable	IX.1	324,612,441.10	351,006,504.84
Prepayments		25,139,253.51	23,202,943.68
Interests Receivable		-	-
Dividends Receivable		-	-
Other Accounts Receivable	IX.2	10,908,538.86	22,104,134.29
Inventory		527,079,416.79	454,309,722.76
Non-current Assets Maturing Within One Year		-	-
Other Current Assets		-	-
<b>Total Current Assets</b>		<b>928,277,378.83</b>	953,807,183.73
<b>Non-current Assets</b>			
Available For Sale Financial Assets		-	-
Held-to-Maturity Investment		-	-
Long-term Accounts Receivable		-	-
Long-term Equity Investment	IX.3	228,544,304.06	226,785,897.39
Investment Property		16,452,238.42	16,996,936.80
Fixed Assets		518,087,405.92	533,297,825.16
Construction In Progress		3,783,147.63	3,060,762.30
Project Materials		-	-
Liquidation Of Fixed Assets		-	-
Biological Asset		-	-
Oil and Gas Assets		-	-
Intangible Assets		105,595,419.61	106,837,801.21
Development Expenditure		-	-
Goodwill		-	-
Long-term Prepaid Expense		12,029,291.10	12,062,291.10
Deferred Income Tax Assets		-	-
Other Non-current Assets		-	-
<b>Total Non-current Assets</b>		<b>884,491,806.74</b>	899,041,513.96
<b>Total Assets</b>		<b>1,812,769,185.57</b>	1,852,848,697.69

**THE BALANCE SHEET OF THE PARENT** (continued)

<b>Liabilities and Shareholder's Equity</b>	<b>Consolidated Amount</b>	
	<b>30 June 2008</b> RMB	31 December 2007 RMB
	<i>Appendix</i>	
<b>Current Liabilities</b>		
Short-term Loan	<b>275,002,250.00</b>	285,579,750.00
Tradable Financial Liabilities	-	-
Notes Payable	-	24,674,009.30
Accounts Payable	<b>266,471,732.61</b>	239,238,492.05
Advances From Customers	<b>41,366,434.73</b>	37,956,490.37
Employee Benefit Payable	<b>25,157,914.04</b>	29,981,327.84
Taxes Payable	<b>(3,432,618.10)</b>	(1,042,929.85)
Interests Payable	-	-
Dividends Payable	-	-
Other Payables	<b>64,965,800.42</b>	66,660,372.80
Non-current Liabilities Maturing Within One Year	-	-
Other Current Liabilities	<b>50,000.00</b>	1,350,000.00
<b>Total Current Liabilities</b>	<b>669,581,513.70</b>	684,397,512.51
<b>Non-Current Liabilities</b>		
Long-term Loan	-	-
Bonds Payable	-	-
Long-term Accounts Payable	-	-
Special Payable	-	-
Estimated liabilities	<b>266,891.98</b>	266,891.98
Deferred Income Tax Liabilities	-	-
Other Non-current Liabilities	<b>3,284,080.03</b>	3,284,080.03
<b>Total Non-current Liabilities</b>	<b>3,550,972.01</b>	3,550,972.01
<b>Total Liabilities</b>	<b>673,132,485.71</b>	687,948,484.52
<b>Shareholder's Equity</b>		
Capital Stock	<b>422,000,000.00</b>	422,000,000.00
Capital Reserves	<b>517,456,262.71</b>	517,456,262.71
Less: Treasury Stock	-	-
Surplus Reserves	<b>193,826,863.24</b>	193,826,863.24
Undistributed Profit	<b>6,353,573.91</b>	31,617,087.22
<b>Total Shareholder's Equity</b>	<b>1,139,636,699.86</b>	1,164,900,213.17
<b>Total Liabilities and Shareholder's Equity</b>	<b>1,812,769,185.57</b>	1,852,848,697.69

The attached appendix is part of the financial statements.

Legal Person: Wang Guohua

Accounting Director: Zhang Peiwu

Accounting Manager: Jiang Jianming

## THE CONSOLIDATED INCOME STATEMENT

Items	Appendix	Consolidated Amount	
		January to June 2008 RMB	January to June 2007 RMB
<b>1. Total Operating Income</b>		<b>399,620,446.17</b>	555,300,788.83
Operating Income	VIII.29	<b>399,620,446.17</b>	555,300,788.83
Interest Income		-	-
Charges and Commission Income		-	-
<b>2. Total Operating Cost</b>		<b>429,543,383.65</b>	545,556,337.17
Operating Expense	VIII.29	<b>319,217,098.23</b>	431,599,339.02
Interest Expense		-	-
Charges and Commission Expense		-	-
Tax and Surcharge on Principle Operations	VIII.30	<b>953,478.44</b>	3,565,944.42
Sales Expense	VIII.31	<b>32,974,585.70</b>	32,527,218.68
Administration Expense	VIII.32	<b>52,072,391.18</b>	56,672,091.79
Financing Expense	VIII.33	<b>13,460,655.99</b>	8,749,037.07
Assets Impairment Losses	VIII.34	<b>10,865,174.11</b>	12,442,706.19
Add: Gains arising from Changes on Fair Values		-	-
Income from Investment	VIII.35	<b>1,758,406.67</b>	(1,513,597.82)
Including: Share of Profit of JV and Associates		<b>1,758,406.67</b>	(3,108,107.16)
<b>3. Operating Profit</b>		<b>(28,164,530.81)</b>	8,230,853.84
Add: Non-operating Income	VIII.36	<b>5,116,327.07</b>	2,111,904.31
Less: Non-operating Expense	VIII.37	<b>628,999.26</b>	274,812.24
Including: Disposal Loss of Non-current Assets		<b>413,210.28</b>	238,922.49
<b>4. Total Profit</b>		<b>(23,677,203.00)</b>	10,067,945.91
Less: Income Tax Expense	VIII.38	<b>(79,484.83)</b>	(566,901.15)
<b>5. Net Profit</b>		<b>(23,597,718.17)</b>	10,634,847.06
Including: Net Profit Attributed to the Parent's Shareholders		<b>(22,797,649.93)</b>	11,221,224.96
Minority Shareholder's Equity		<b>(800,068.24)</b>	(586,377.90)
<b>6. Earnings Per Share:</b>		-	-
(1) Basic Earnings Per Share		<b>(0.05)</b>	0.03
(2) Earnings Per Diluted Share		<b>(0.05)</b>	0.03

The attached appendix is part of the financial statements.

Legal Person: Wang Guohua

Accounting Director: Zhang Peiwu

Accounting Manager: Jiang Jianming

## THE INCOME STATEMENT OF THE PARENT

Items	Appendix	Consolidated Amount	
		January to June 2008 RMB	January to June 2007 RMB
<b>1. Total Operating Cost</b>	IV.4	<b>241,153,163.16</b>	413,587,305.55
Less: Operating Expense	IV.4	<b>198,523,407.82</b>	328,701,068.50
Tax and Surcharge on Principle Operations		<b>505,492.16</b>	3,192,054.08
Sales Expense		<b>21,147,566.49</b>	18,813,183.33
Administration Expense		<b>30,433,766.64</b>	35,583,651.14
Financing Expense		<b>8,343,724.88</b>	5,925,937.75
Assets Impairment Losses		<b>8,919,260.35</b>	8,307,125.36
Add: Gains arising form Changes on Fair Values		-	-
Income from Investment	IV.5	<b>1,758,406.67</b>	(1,513,597.82)
Including: Share of Profit of JV and Associates		<b>1,758,406.67</b>	(3,108,107.16)
<b>2. Operating Profit</b>		<b>(24,961,648.51)</b>	11,550,687.57
Add: Non-operating Income		<b>262,990.00</b>	764,681.97
Less: Non-operating Expense		<b>564,854.80</b>	-
Including: Disposal Loss of Non-current Assets		<b>410,959.78</b>	-
<b>3. Total Profit</b>		<b>(25,263,513.31)</b>	12,315,369.54
Less: Income Tax Expense		-	8,221.81
<b>4. Net Profit</b>		<b>(25,263,513.31)</b>	12,307,147.73
<b>5. Earnings Per Share:</b>		-	-
(1) Basic Earnings Per Share		-	-
(2) Earnings Per Diluted Share		-	-

The attached appendix is part of the financial statements.

Legal Person: Wang Guohua

Accounting Director: Zhang Peiwu

Accounting Manager: Jiang Jianming

## THE CONSOLIDATED CASH FLOW STATEMENT

Items	Appendix	January to June 2008 RMB	January to June 2007 RMB
<b>1. Cash Flow From Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		422,182,742.36	564,214,028.17
Receipts of taxes and levy refunds		743,623.58	-
Other Cash receipts in operating activities	VIII.39	3,705,143.67	8,274,642.91
Subtotal Cash Flow in From Operating Activities		426,631,509.61	572,488,671.08
Cash payments for goods and services acquired		306,057,030.78	360,214,019.06
Cash payments to and on behalf of employees		98,885,377.59	91,544,410.74
Payments of taxes and levy		15,011,106.69	40,072,276.83
Other cash payments from Operating Activities	VIII.39	38,006,386.27	53,874,783.81
Subtotal Cash Flow out From Operating Activities		457,959,901.33	545,705,490.44
Net Cash Flow From Operating Activities		(31,328,391.72)	26,783,180.64
<b>2. Cash Flow From Investing Activities:</b>			
Cash receipts from return of investments		94,847.59	-
Cash receipts from investment income		-	-
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets		5,174,560.00	86,274.59
Net cash receipts from disposal of subsidiaries and other business units		-	-
Other cash receipts in investing activities	VIII.39	-	-
Total Cash Flow in From Investing Activities		5,269,407.59	86,274.59
Cash payments to acquired fixed assets, intangible assets and other long-term assets		4,312,078.82	32,332,112.65
Cash payments to acquired investments		50,000.00	-
Net cash payment to acquired subsidiaries and other business units		-	-
Other cash payments in investing activities	VIII.39	-	-
Total Cash Flow out From Investing Activities		4,362,078.82	32,332,112.65
Net Cash Flow From Investing Activities		907,328.77	(32,245,838.06)
<b>3. Cash Flow From Financing Activities:</b>			
Cash proceeds from absorbing investment		-	-
Thereinto: cash receipts from absorbing minority shareholders' investment by subsidiary		-	-
Cash receipts from borrowings		208,450,000.00	243,365,000.00
Other cash receipts in financing activities	VIII.39	9,853,301.83	6,758,471.73
Total Cash Flow in From Financing Activities		218,303,301.83	250,123,471.73
Cash repayments of amount borrowed		216,485,000.00	184,450,000.00
Cash payments for distribution of dividends, profits or interest expenses		12,056,673.54	8,567,244.43
Thereinto: subsidiary's payment for minority shareholders' interest and profit		-	-
Other cash payments in financing activities	VIII.39	13,787,176.10	18,332,579.43
Subtotal Cash Flow out From financing Activities		242,328,849.64	211,349,823.86
Net Cash Flow From Financing Activities		(24,025,547.81)	38,773,647.87
<b>4. Effect of exchange rate change on cash and cash equivalent</b>		(502,794.25)	(75,903.14)
<b>5. Net Increased Cash and Cash Equivalent</b>		(54,949,405.01)	33,235,087.31
<b>Add: the Beginning Balance of Cash and Cash Equivalent</b>	VIII.39	98,652,543.32	76,102,837.73
<b>6. The Ending Balance of Cash and Cash Equivalent</b>	VIII.39	43,703,138.31	109,337,925.04

The attached appendix is part of the financial statements.

Legal Person: Wang Guohua

Accounting Director: Zhang Peiwu

Accounting Manager: Jiang Jianming

## THE CASH FLOW STATEMENT OF THE PARENT

Items	Appendix	January to June 2008 RMB	January to June 2007 RMB
<b>1. Cash Flow From Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		248,078,369.36	379,968,577.06
Receipts of taxes and levy refunds		743,623.58	-
Other Cash receipts in operating activities		1,983,166.08	3,623,705.95
Subtotal Cash Flow in From Operating Activities		250,805,159.02	383,592,283.01
Cash payments for goods and services acquired		171,864,611.40	247,968,393.75
Cash payments to and on behalf of employees		69,832,173.50	60,052,587.80
Payments of taxes and levy		7,679,618.67	38,034,105.22
Other cash payments from Operating Activities		24,301,626.36	34,111,413.56
Subtotal Cash Flow out From Operating Activities		273,678,029.93	380,166,500.33
Net Cash Flow From Operating Activities		(22,872,870.91)	3,425,782.68
<b>2. Cash Flow From Investing Activities:</b>			
Cash receipts from return of investments		44,847.59	-
Cash receipts from investment income		-	-
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets		-	23,790.00
Net cash receipts from disposal of subsidiaries and other business units		-	-
Other cash receipts in investing activities		-	-
Total Cash Flow in From Investing Activities		44,847.59	23,790.00
Cash payments to acquired fixed assets, intangible assets and other long-term assets		1,003,798.45	8,803,988.16
Cash payments to acquired investments		-	-
Net cash payment to acquired subsidiaries and other business units		-	-
Other cash payments in investing activities		-	-
Total Cash Flow out From Investing Activities		1,003,798.45	8,803,988.16
Net Cash Flow From Investing Activities		(958,950.86)	(8,780,198.16)
<b>3. Cash Flow From Financing Activities:</b>			
Cash proceeds from absorbing investment		-	-
Cash receipts from borrowings		150,000,000.00	176,915,000.00
Other cash receipts in financing activities		500,000.00	-
Total Cash Flow in From Financing Activities		150,500,000.00	176,915,000.00
Cash repayments of amount borrowed		164,785,000.00	140,000,000.00
Cash payments for distribution of dividends, profits or interest expenses		7,586,559.90	5,940,190.00
Other cash payments in financing activities		4,273,684.22	718,944.29
Subtotal Cash Flow out From financing Activities		176,645,244.12	146,659,134.29
Net Cash Flow From Financing Activities		(26,145,244.12)	30,255,865.71
<b>4. Effect of exchange rate change on cash and cash equivalent</b>		(42,110.20)	-
<b>5. Net Increased Cash and Cash Equivalent</b>		(50,019,176.09)	24,901,450.23
<b>Add: the Beginning Balance of Cash and Cash Equivalent</b>		76,186,356.44	42,636,228.02
<b>6. The Ending Balance of Cash and Cash Equivalent</b>		26,167,180.35	67,537,678.25

The attached appendix is part of the financial statements.

Legal Person: Wang Guohua

Accounting Director: Zhang Peiwu

Accounting Manager: Jiang Jianming

## CONSOLIDATED STATEMENT OF MOVEMENT ON SHAREHOLDER'S EQUITY

January-June 2008

Items	Capital	Capital	Less:	Surplus	Business	Undistributed		Minority	Total
	Share	Reserves	Treasury	Reserves	Risk Reserve	Profit	Others	Shareholder's	Shareholder's
	RMB	RMB	Stock	RMB	RMB	RMB	RMB	RMB	RMB
<b>1. The ending balance for last year</b>	422,000,000.00	523,020,271.06	-	198,928,288.88	-	16,060,153.67	1,031,112.23	45,646,279.43	1,206,686,105.27
Add: Changes in Accounting Policies	-	-	-	-	-	-	-	-	-
Corrections for previous errors	-	-	-	-	-	-	-	-	-
<b>2. The beginning balance of this year</b>	422,000,000.00	523,020,271.06	-	198,928,288.88	-	16,060,153.67	1,031,112.23	45,646,279.43	1,206,686,105.27
<b>3. Increase and decrease for this year</b>	-	-	-	-	-	(22,797,649.93)	(3,243,286.16)	(800,068.24)	(26,841,004.33)
(1) Net profit	-	-	-	-	-	(22,797,649.93)	-	(800,068.24)	(23,597,718.17)
(2) Profits and losses directly recorded in shareholder's equity	-	-	-	-	-	-	(3,243,286.16)	-	(3,243,286.16)
I. Net variation of salable financial assets' fair value	-	-	-	-	-	-	-	-	-
II. Effect of other invested companies' shareholder's equity changes	-	-	-	-	-	-	-	-	-
III. Effect of related income tax recorded in shareholder's equity	-	-	-	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-	(3,243,286.16)	-	(3,243,286.16)
Subtotal of (1) and (2)	-	-	-	-	-	(22,797,649.93)	(3,243,286.16)	(800,068.24)	(26,841,004.33)
(3) Shareholders Investing and Reducing Capital	-	-	-	-	-	-	-	-	-
I. Shareholders investing capital	-	-	-	-	-	-	-	-	-
II. Shares payment in shareholder's equity	-	-	-	-	-	-	-	-	-
III. Others	-	-	-	-	-	-	-	-	-
(4) Profit Distribution	-	-	-	-	-	-	-	-	-
I. Provision of Surplus Reserve	-	-	-	-	-	-	-	-	-
II. Distribution for Shareholders	-	-	-	-	-	-	-	-	-
III. Provision for Business Risk	-	-	-	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-	-	-	-
(5) Shareholder's Equity Internal transfer	-	-	-	-	-	-	-	-	-
I. Capital Reserve transfer to Capital (or Share Capital)	-	-	-	-	-	-	-	-	-
II. Surplus Reserve transfer to Capital (or Share Capital)	-	-	-	-	-	-	-	-	-
III. Surplus Reserve offset losses	-	-	-	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-	-	-	-
<b>4. The ending balance for this year</b>	422,000,000.00	523,020,271.06	-	198,928,288.88	-	(6,737,496.26)	(2,212,173.93)	44,846,211.19	1,179,845,100.94

The attached appendix is part of the financial statements.

Legal Person: Wang Guohua

Accounting Director: Zhang Peiwu

Accounting Manager: Jiang Jianming

**CONSOLIDATED STATEMENT OF MOVEMENT ON SHAREHOLDER'S EQUITY** (continued)

Jan-Jun, 2007

Items	Capital	Capital	Less:	Surplus	Business	Undistributed		Minority	Total
	Share	Reserves	Treasury	Reserves	Risk Reserve	Profit	Others	Shareholder's	Shareholder's
	RMB	RMB	Stock	RMB	RMB	RMB	RMB	RMB	RMB
<b>1. The ending balance for last year</b>	422,000,000.00	523,020,271.06	-	197,666,214.93	-	22,474,593.24	149,550.92	-	1,165,310,630.15
Add: Changes in Accounting Policies	-	-	-	414,310.08	-	(14,845,174.57)	-	46,486,674.55	32,057,810.06
Corrections for previous errors	-	-	-	-	-	-	-	-	-
<b>2. The beginning balance of this year</b>	422,000,000.00	523,020,271.06	-	198,080,525.01	-	7,629,418.67	149,550.92	46,486,674.55	1,197,368,440.21
<b>3. Increase and decrease for this year</b>	-	-	-	-	-	11,221,224.96	-	(686,377.90)	10,634,847.06
(1) Net profit	-	-	-	-	-	11,221,224.96	-	(686,377.90)	10,634,847.06
(2) Profits and losses directly recorded in shareholder's equity	-	-	-	-	-	-	-	-	-
I. Net variation of saleable financial assets' fair value	-	-	-	-	-	-	-	-	-
II. Effect of other invested companies' shareholder's equity changes	-	-	-	-	-	-	-	-	-
III. Effect of related income tax recorded in shareholder's equity	-	-	-	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-	-	-	-
Subtotal of (1) and (2)	-	-	-	-	-	11,221,224.96	-	(686,377.90)	10,634,847.06
(3) Shareholders investing and Reducing Capital	-	-	-	-	-	-	-	-	-
I. Shareholders investing capital	-	-	-	-	-	-	-	-	-
II. Shares payment in shareholder's equity	-	-	-	-	-	-	-	-	-
III. Others	-	-	-	-	-	-	-	-	-
(4) Profit Distribution	-	-	-	-	-	-	-	-	-
I. Provision of Surplus Reserve	-	-	-	-	-	-	-	-	-
II. Distribution for Shareholders	-	-	-	-	-	-	-	-	-
III. Provision for Business Risk	-	-	-	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-	-	-	-
(5) Shareholder's Equity Internal transfer	-	-	-	-	-	-	-	-	-
I. Capital Reserve transfer to Capital (or Share Capital)	-	-	-	-	-	-	-	-	-
II. Surplus Reserve transfer to Capital (or Share Capital)	-	-	-	-	-	-	-	-	-
III. Surplus Reserve offset losses	-	-	-	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-	-	-	-
<b>4. The ending balance for this year</b>	422,000,000.00	523,020,271.06	-	198,080,525.01	-	18,850,643.63	149,550.92	45,902,296.65	1,208,003,287.27

The attached appendix is part of the financial statements.

Legal Person: Wang Guohua

Accounting Director: Zhang Peiwu

Accounting Manager: Jiang Jianming

## STATEMENT OF MOVEMENT ON EQUITY OF THE PARENT

Jan-Jun, 2008

Items	Capital Share RMB	Capital Reserves RMB	Less: Treasury Stock RMB	Surplus Reserves RMB	Undistributed Profit RMB	Total Shareholder's Equity RMB
<b>1. The ending balance for last year</b>	422,000,000.00	517,456,262.71	-	193,826,863.24	31,617,087.22	1,164,900,213.17
Add: Changes in Accounting Policies	-	-	-	-	-	-
Corrections for previous errors	-	-	-	-	-	-
<b>2. The beginning balance of this year</b>	422,000,000.00	517,456,262.71	-	193,826,863.24	31,617,087.22	1,164,900,213.17
<b>3. Increase and decrease for this year</b>	-	-	-	-	(25,263,513.31)	(25,263,513.31)
(1) Net profit	-	-	-	-	(25,263,513.31)	(25,263,513.31)
(2) Profits and losses directly recorded in shareholder's equity	-	-	-	-	-	-
I. Net variation of salable financial assets' fair value	-	-	-	-	-	-
II. Effect of other invested companies' shareholder's equity changes	-	-	-	-	-	-
III. Effect of related income tax recorded in shareholder's equity	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-
Subtotal of (1) and (2)	-	-	-	-	(25,263,513.31)	(25,263,513.31)
(3) Shareholders Investing and Reducing Capital	-	-	-	-	-	-
I. Shareholders investing capital	-	-	-	-	-	-
II. Shares payment in shareholder's equity	-	-	-	-	-	-
III. Others	-	-	-	-	-	-
(4) Profit Distribution	-	-	-	-	-	-
I. Provision of Surplus Reserve	-	-	-	-	-	-
II. Distribution for Shareholders	-	-	-	-	-	-
III. Provision for Business Risk	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-
(5) Shareholder's Equity Internal transfer	-	-	-	-	-	-
I. Capital Reserve transfer to Capital (or Share Capital)	-	-	-	-	-	-
II. Surplus Reserve transfer to Capital (or Share Capital)	-	-	-	-	-	-
III. Surplus Reserve offset losses	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-
<b>4. The ending balance for this year</b>	422,000,000.00	517,456,262.71	-	193,826,863.24	6,353,573.91	1,139,636,689.86

Jan-Jun, 2007

Items	Capital Share RMB	Capital Reserves RMB	Less: Treasury Stock RMB	Surplus Reserves RMB	Undistributed Profit RMB	Total Shareholder's Equity RMB
<b>1. The ending balance for last year</b>	422,000,000.00	524,038,491.54	-	192,564,789.29	28,416,516.59	1,167,019,797.42
Add: Changes in Accounting Policies	-	(6,582,228.83)	-	414,310.08	(4,429,304.24)	(10,597,222.99)
Corrections for previous errors	-	-	-	-	-	-
<b>2. The beginning balance of this year</b>	422,000,000.00	517,456,262.71	-	192,979,099.37	23,987,212.35	1,156,422,574.43
<b>3. Increase and decrease for this year</b>	-	-	-	-	12,307,147.73	12,307,147.73
(1) Net profit	-	-	-	-	12,307,147.73	12,307,147.73
(2) Profits and losses directly recorded in shareholder's equity	-	-	-	-	-	-
I. Net variation of salable financial assets' fair value	-	-	-	-	-	-
II. Effect of other invested companies' shareholder's equity changes	-	-	-	-	-	-
III. Effect of related income tax recorded in shareholder's equity	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-
Subtotal of (1) and (2)	-	-	-	-	12,307,147.73	12,307,147.73
(3) Shareholders Investing and Reducing Capital	-	-	-	-	-	-
I. Shareholders investing capital	-	-	-	-	-	-
II. Shares payment in shareholder's equity	-	-	-	-	-	-
III. Others	-	-	-	-	-	-
(4) Profit Distribution	-	-	-	-	-	-
I. Provision of Surplus Reserve	-	-	-	-	-	-
II. Distribution for Shareholders	-	-	-	-	-	-
III. Provision for Business Risk	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-
(5) Shareholder's Equity Internal transfer	-	-	-	-	-	-
I. Capital Reserve transfer to Capital (or Share Capital)	-	-	-	-	-	-
II. Surplus Reserve transfer to Capital (or Share Capital)	-	-	-	-	-	-
III. Surplus Reserve offset losses	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-
<b>4. The ending balance for this year</b>	422,000,000.00	517,456,262.71	-	192,979,099.37	36,294,360.08	1,168,723,722.16

The attached appendix is part of the financial statements.

Legal Person: Wang Guohua

Accounting Director: Zhang Peiwu

Accounting Manager: Jiang Jianming

**NOTES TO THE FINANCIAL STATEMENTS***1 January to 30 June 2008***I. GENERAL**

Beiren Printing Machinery Holdings Limited (the "Company") was established by Beiren Group Corporation in Beijing, the People's Republic of China (the "PRC") on 13 July 1993 as a joint stock limited company. With the approval of Ti Gai Shen (1993) No. 118 issued as of 16 July 1993 by the State Commission for Restructuring the Economic System of the PRC, the Company became a joint stock limited company which issue public Shares domestically and in Hong Kong. With the approval of the China Securities Regulatory Commission ("CSRC") of the State Council, the Company issued H Shares in Hong Kong in 1993 and A Shares in Shanghai in 1994. The H Shares and A Shares of the Company were listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC in 1993 and 1994 respectively.

Upon the approval of General Shareholders' Meeting on 16 May 2001 and 11 June 2002, and the approval of document Zheng Jian Fa Xing 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 from 26 December 2002 to 7 January 2003, with par value of 1 Yuan RMB.

After the additional issues, the total outstanding shares of the Company are added up to 422,000,000, among which 250,000,000 shares are state-owned institutional shares, 72,000,000 shares are domestic public issues, 100,000,000 shares are offshore public issues; with par value 1 Yuan RMB.

In accordance with the "Decision on the share right reformation of Beiren Printing Machinery Holdings Limited" [2006] No. 25 issued by the Committee of State-owned Assets Supervision and Administration of Beijing Government, Beiren Group Corporation as the sole non-liquid shares holder transferred the original 27,360,000 state-owned shares to the liquid A share holders in the consideration of 3.8 Shares for each 10 Shares, and the registration date related to the share segregation reform was on 29 March 2006. After the share right reformation, up to 30 June 2008, Beiren Group Corporation hold 222,640,000 state-owned institutional shares, being 52.76% of the total share capital, among which 180,440,000 are liquid shares with trade restriction; 99,360,000 domestic public Shares without trade restriction, being 23.54% of the total share capital; and 100,000,000 shares offshore public Shares without trade restriction, being 23.70% of the total share capital.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the development, design, manufacture and sale of a variety of printing press, pressing machines, packing machines and related spare parts and provision of related technical consultation and support.

The board of directors were established to take charge of major decisions and daily operation management and control.

**II. BASIS OF PREPARATION OF FINANCIAL STATEMENT**

The financial statements are prepared on a going concern basis.

The financial statements were prepared in line with the principle of Accounting Standards for Business Enterprises.

**III. ANNOUNCEMENT**

The financial statements prepared by the Company conform to the requirements of the Accounting Standards and fairly present the Company's financial position, operation results, cash flow and other related information.

**IV. SIGNIFICANT ACCOUNTING POLICIES CHANGES, ACCOUNTING ESTIMATES AND CORRECTIONS**

There are no significant accounting policies changes or accounting estimates or corrections for the Company to disclose as of 30 June 2008.

**V. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION OF CONSOLIDATED FINANCIAL STATEMENTS****1. Accounting period**

The accounting period of the Company is from 1 January to 31 December.

**2. Reporting currency**

The Company uses RMB as its reporting currency.

**3. Basis of accounting and measurement**

The Company uses the accrual method as its basis of accounting. Save for tradable and transferable financial assets which are measured by reference to their fair prices, all are recorded at their historical cost.

**4. Cash equivalents**

Cash equivalents refer to treasury cash and deposits which are ready for payment. Cash equivalents are short-term (normally matured within 3 months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 5. Foreign currencies

### (1) Trade in foreign currencies

Transactions denominated in foreign currencies are translated into RMB at the exchange rates issued by the People's Bank of China on the date when the transactions took place. At the balance sheet date, cash and cash equivalents in foreign currencies are translated into RMB at the exchange rates issued by the People's Bank of China at the balance sheet date. Exchange differences arising, except for loan made to purchase or manufacture those assets that are capitalized later, are included in the operating results. Exchange differences arising during the pre-operating period should be accrued as the long-term prepaid expenses. The expenses related to fixed assets are treated according to the principle of capitalization of expense. For non-monetary accounts measure in fair market value and foreign currencies, exchange rates on the dates when the fair market value is recognized are applied and exchange differences arising are included in the operating results. For non-monetary accounts measured in historical cost and foreign currencies, exchange rates on the dates when the cost is recognized are applied and the value in RMB is not changed.

### (2) Translation of financial statements in foreign currencies

For balance sheet of foreign operations, assets and liabilities are translated at the exchange rate on the balance sheet date. For shareholders' equity, except for retained earnings, they are translated at the exchange rate when the transaction takes place. For the income statement of foreign operations, revenue and expense are translated at the exchange rate when the transaction takes place. The difference resulting from the translation of foreign financial statements is presented separately under shareholders' equity. For investment in foreign operations, any difference resulted is presented separately under shareholders' equity when preparing consolidated financial statements. When disposing of foreign operation, the difference resulting from financial statements translation should be included in operating results at certain percentage.

Cash flows in foreign currencies and in foreign operations use the exchange rate when transactions take place. Impact of changes in exchange rates is presented separately in the cash flow statement.

## 6. Financial assets

(1) Classification of financial assets: based on investment purpose and economic substance, the Company classifies its financial assets as held-for-sale financial assets, held-to-mature financial investments, receivables and available-for-sale financial investments.

- 1) Held-for-sale financial assets: they will be sold in short term and measure at fair market value. Changes in the value are included in operating results. They are listed in balance sheet as held-for-trade financial investments.
- 2) Held-to-mature financial investments: they are mature on specific date, will be received in fixed amounts, and the management has clear purpose and capability to hold until mature.
- 3) Receivables: they are non-derivative financial assets with amounts to be received fixed or secured. They include notes receivable, account receivable, interest receivable and other receivables.

For the account receivables and notes receivable with the right of recourse transferred and discounted to the financial institution by the Company, it will be regarded as short-term loan with pledged on account receivables and notes receivable, due to the risks and rewards of the discounted bills or account receivables is not transferred.

- 4) Available-for-sale financial investments: they include non-derivative financial assets that are initially designated as available-for-sale financial investments and other financial assets without clear classification.

(2) Recognition and measurement of financial assets

Financial asset are initially recognized at fair value. For financial assets that is measured at fair market value and whose change in value is included in operating results, the expense related to the transaction is included in operating results. Transaction expense related to other financial assets is recognized as initial cost. When a contract regarding to the receipt of cash flows on the financial assets terminates or the risk and benefits relating to the financial asset's ownership is transferred, this financial asset would cease to be recognised.

For financial assets that is measured at fair market value and whose change in value is included in operating results and the available-for-sale financial investments, there are measured at fair market value. Receivables and held-to-mature financial investments are subject to effective interest method and are presented at net value.

For financial assets that is measured at fair market value and whose change in value is included in operating results and the available-for-sale financial investments, there are measured at fair market value. The interest or dividends received is reported as investment gains. When disposed, the difference between fair value and initial cost is recorded as investment loss, and adjust fair value change gain or loss.

For available-for-sales, its change in value is recorded as shareholders' equity. The interest and cash dividends are recorded as investment gain. When disposed, the difference between the amount received and the book value is recorded as shareholders' equity.

## (3) Impairment of financial assets

Except for the financial assets measured in fair value and whose change in value is included in the current operating results, the Company carries out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made. Where a sellable financial asset is impaired, even if the recognition of the financial asset has not been terminated, the accumulative losses arising from the decrease of the fair value of the owner's equity which was directly included shall be transferred out and recorded into the profit or loss for the current period. As for the sellable debt instruments whose impairment-related losses have been recognized, if, within the accounting period thereafter, the fair value has risen and are objectively related to the subsequent events that occur after the originally impairment-related losses were recognized, the originally recognized impairment-related losses shall be reversed and be recorded into the profit and loss for the current period. As for the sellable debt instruments whose impairment-related losses have been recognized, if, within the accounting period thereafter, the fair value has risen and are objectively related to the subsequent events that occur after the originally impairment-related losses were recognized, the originally recognized impairment-related losses shall be reversed and be recorded into the owner's equity. The impairment-related losses incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instrument, should not be reversed.

**7. Receivables and bad debts**

The receivables over 5,000,000 Yuan in RMB are regarded as significant receivables by the Company. When the receivables can not be collected with solid evidence, the impairment test should be carried out, and the bad debt provision should be withdrawn on the amount of the difference between the present value of future cash flow with respect to the receivable and book value.

For an individual receivable not of a significant amount, it will be grouped up with the unimpaired significant receivables, according to the same credit risk level from previous years' analogies. The provision of bad debts will be withdrawn on considering the current conditions and bad debts level of different receivable groups.

**8. Inventory**

(1) Classification: inventory is classified as goods in transit, raw material, work-in-process, finished goods, low-value material, self-made half finished goods, and consignment goods, etc.

(2) Pricing: perpetual method is applied; for goods purchased and stored, they are measured at real cost; for material used, they are measured at weighted average cost.

(3) Low-value material and wrapping material is measured at expense, and recorded in cost of goods manufactured.

(4) Measurement principle for ending inventory, recognition criteria of provision for inventory and measurement method: On the date of balance sheet, the inventories shall be measured at the lower of cost and net realizable value. On the date of balance sheet, on the basis of stock-taking fully, for the damaged, obsolete fully or partly inventories or market value is lower than cost of inventories, the Company shall estimate the unrecoverable part of cost and recognize the provision for impairment of inventories. Provision for impairment of finished goods and a large amount of raw material shall be recognized at the difference of the individual inventory cost over its net realizable value. For the rest auxiliary raw materials in large amount and with low individual cost, the impairment provision should be recognized by categories.

(5) Recognition method for net realizable value of inventory: The realizable value of finished goods, working-in-progress and raw materials for directly selling shall be recognized at the amounts of estimated selling price less estimate selling expenses and related taxes. The realizable value of raw materials held for production shall be recognized at amounts of the estimated selling price of finished goods less estimated cost, estimated selling expenses and related taxes. The realizable value of inventories held for execution of selling contracts or labor contracts shall be recognized on the basis of contractual price. When the amounts of inventories held by the Company much more than contract amounts, the realizable value of excessive part of inventories shall be recognized at general selling price.

**9. Long-term equity investment****(1) Initial measurement of long-term equity investment**

The initial cost of long term equity investments formed in the merger of enterprise under the same control shall be recognized at the carry amounts of equity of the merged enterprise. The initial cost of long term equity investments formed in the merger of enterprise under the different control shall be recognized at fair value of the assets paid, liabilities happened or charged, and equity securities issued.

Except for the long term equity investment acquired through merge, the initial cost of the long term equity investment acquired by cash payment is measured at the purchase price. The initial investment cost shall include all expenses, taxes and other expenditures which directly contribute to the acquisition of the investment. For the equity investment acquired by issuing equity instruments, the initial investment cost measures at the fair value of the instruments issued. For the invested long term equity investment, the initial investment cost is measured at the contract price. For the long term equity investment acquired by debt reorganization or exchange of non-monetary asset, the initial investment cost is measured in accordance with relevant accounting standards.

**(2) Subsequent measurement of long-term equity investment**

For the long-term equity investment in subsidiaries of the Company shall be measured in accordance with the cost method, and shall be adjusted when preparing consolidated financial statements in accordance with equity method. For the long-term equity investment of joint venture shall be measured in accordance with equity method. For the long-term equity investment of the investing enterprise that does not do joint control or does not have significant influences on the invested entity, and has no offer in the active market and its fair value cannot be reliably measured should be measured in accordance with cost method. For the long-term equity investment of the investing enterprise that does not do joint control or does not have significant influences on the invested entity, and has offer in the active market and its fair value can be reliably measured should be measured as the assets available for sale.

**10. Investment in real estate**

(1) Classification: it includes the land use right that is leased to other parties, the land use right held for sale after its values increases and buildings that are leased to other parties.

(2) Measurement: the book value of invested real estate is recognized at its initial investment cost. The initial cost of the purchased real estate includes purchase price, relevant taxes and expenses and other expenditures directly contributing to the purchase. The initial cost of the self-constructed real estate includes all the expenditures before the estate is available for use.

The real estates of building and land use right are amortized and depreciated depending on the useful life and the salvage value. The useful life and the salvage value for the investment real estates are as follows:

Classification	Useful life (year)	Remaining value	Amortization rate (%)
Land use right	50		1.940
Building	40	3%	2.425

(3) Transfer and disposal

When the investment is changed to self-use, it is recorded as fixed assets or intangible assets since the date of transfer. When self-use real estate is changed for earning rents or held for sale to gain profit as its increases in the market value, it is recorded as investment real estate since the date of transfer. The carrying value of the property before transfer is recognized as the initial cost of the property after transfer.

When the real estates are disposed of, ceased in use or there is no future economic benefits flow into the Company, the investment real estate should be derecognized. The disposal gains from sale, transferring, obsolescence or physical damage of the real estates, less the carrying value and the relevant taxes and expenses, is recorded as gain or loss of the current period.

**11. Fixed assets**

(1) Recognition criteria of fixed assets: Fixed assets are defined as the tangible assets which are held for the purpose of producing goods, rendering services, leasing or for operation & management, and have more than one year of useful life, and whose unit price is over RMB2,000.

(2) Classification of fixed assets: Building, machine, transportation equipment, electronic equipment and others.

(3) Measurement of fixed assets: Initial measurement of fixed assets shall be conducted on fixed assets according to the actual cost when obtained, including, the cost of purchased fixed asset including purchase price, value added tax, duty and other related tax and fee, other expenses that bring the fixed asset to the expected conditions for use and that may be relegated to the fixed asset. The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use. The cost of fixed asset which was invested by investor should be recorded in accordance with the price stipulated in the contract or agreement, other than those of unfair value as stipulated in the contract or agreement. The cost of fixed assets which is obtained by financial leasing should be measured at the lower one of fair value and the minimum lease payment in the beginning of lease.

(4) Depreciation method: the Company withdraws depreciation for all fixed assets except for the fixed assets which had been fully depreciated and are still being used. The Company withdraws depreciation by adopting straight-line method and depreciation rate of unit item on monthly basis, and brings it cost or expenses in current period. Estimated net residual value rate is 3%, useful life, depreciation rate as follows:

Classification	Useful life (year)	Amortization rate (%)
Building	40	2.425
Machinery	8-14	12.125-6.929
Transportation Equipment	8	12.125
Office equipment and others	8	12.125

- (5) Subsequent expenditure of fixed assets: Subsequent expenditure comprises repair expenditure, renewed & improvement expenditure, decoration expenditure and others, is recorded as cost of fixed asset when relevant economic benefit can flow into the Company and be measured reliably. For the parts of displacement, its book value should be derecognized. All the others subsequent costs should be recorded in profit and loss during current period.
- (6) The Company checks the estimated useful life, estimated net residual value and depreciation method at the end of each year. If any change has occurred, it shall be regarded as a change in the accounting estimates.
- (7) The Company derecognize fixed asset when the fixed asset has been disposed, or the fixed assets cannot generate economic benefit by using and disposal. The amount that income resulting from disposal of fixed asset deducts fixed asset's book value and relevant tax shall be recorded in the profit and loss for the current period.

## 12. Construction in process

- (1) Measurement of CIP: Construction-in-progress is recognized at actual cost. Self-construction project is recognized at the cost of material, labor cost and construction expenses. Contracted construction is recognized at project price payable. Installed construction is recognized at the value of equipment, installation and assembly cost. Besides, the cost of CIP comprises borrowing cost and profit and loss resulting from foreign exchange.
- (2) The criteria and time spot of constructions in progress being transferred to fixed assets: Constructions in progress are carried down to fixed assets according to their actual costs when completing and achieving estimated usable status. The fixed assets that have been completed and reached estimated usable status but have not yet been through completion and settlement procedures are charged to an account according to their estimate values; adjustment will be conducted upon confirmation of their actual values. The Company should withdraw depreciation in the next month after completion.

## 13. Borrowing cost

- (1) Recognition principles of capitalization of borrowing cost: The Company capitalizes the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset and record borrowing cost into cost of related asset. The Company recognizes the other borrowing cost as the current expense and record it into profit and loss of current period. A qualifying asset refers to fixed asset, investment real estate and inventory need be constructed for so long time (normally, more than 1 year) to its intended use or sale.
- (2) Period of capitalization of borrowing cost: When expenditures and borrowing cost are being incurred, and activities that are necessary to prepare the asset for its intended use or sale are in progress, the capitalization of borrowing costs as part of the cost of a qualifying asset should commence. Capitalization of borrowing costs should be suspended during extended periods in which active development is interrupted and interruption period last for over 3 months. The borrowing cost incurred during the period should be recognized as expenses and recorded into the profit and loss in the current period. When all the activities for bringing the asset to its intended use or sale are completed, the capitalization of borrowing costs ceases, and the borrowing costs should be recognized as an expense in the period incurred.
- (3) Measurement of borrowing cost: As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment. Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

## 14. Intangible assets

- (1) Measurement of intangible assets: The intangible assets of the Company refer to land use right, non-patent technology. The cost of outsourcing intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets. The cost invested into intangible assets by investors shall be determined according to the stipulated value in the investment contract or agreement, except for those of unfair value in the contract or agreement.
- (2) Amortisation method and period: The Company shall amortise land use right on the basis of its useful life by adopting straight line method from the time of acquiring. The non-patent technology and other intangible assets shall be amortised on the basis of shorter of estimated useful life, stipulated beneficial year in the contract, and legal available year. The amortization amount should be recorded into the cost or expense of relevant in the current period.
- (3) The Company shall check the estimated useful life and amortization method of intangible assets with limited useful life at the end of each year, if any change has been made, it shall be adjusted. The Company shall check the estimated useful life of intangible assets with uncertain useful life during the each accounting period. If there are evidences to prove the useful life of intangible assets is limited, the Company shall estimate the useful life and amortize the intangible assets within estimated useful life.

**15. R&D expense**

An internally-generated intangible asset arising from development expenditure is classified as research phase expenditure and development phase expenditure. For internally-generated intangible assets, the expenditure in research phase is included in operating results. For expenditure in development phase, if it meets the following requirements, it is recorded as intangible asset.

- (1) There is feasible technical makes the intangible asset available for sale or use;
- (2) The intention to sell or use the intangible asset;
- (3) The market value is available at any time for the intangible asset or the products out of the intangible asset.
- (4) There exists sufficient technology, financial resources and other resources exist for the completion of the development, and the ability to use or sell the asset;
- (5) The expenditure in the stage of research and development of the intangible asset can be measured reliable.

If the expenditures can not meet the above criteria, it is recorded in the profit and loss for the current period. The expenditures expensed in the previous accounting period can not be recognized as asset in the later accounting period. The capitalized development expenditure is stated as development expenditure on the face of the balance sheet, and it is recognized as intangible asset since the date when the asset becomes available for sale.

**16. Impairment of non-financial assets**

The Company checks the long-term equity investment for its subsidiaries, association and joint venture, fixed asset, construction-in-progress, intangible asset and others on each balance sheet date. There may be an impairment of asset when one of following indications occurs. The Company should test impairments. The company tests the impairment of goodwill, intangible asset with uncertain useful life on the end of every year. When it is difficult to test the recoverable amount of asset, it should test the recoverable amount of asset on the basis of asset group.

After impairment testing, if the book value exceeds the recoverable amount of the asset, the difference should be recognized as impairment loss. Once any loss of impairment is recognized, it shall not be reversed in the following accounting periods. The recoverable amount of asset refers to the higher one of the net amount of the fair value of asset minus disposal expense and the present value of estimated future cash flow of asset.

Indications of impairment as follows:

- (1) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- (2) Significant changes with an adverse effect on the Company have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- (3) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- (4) Evidence is available of obsolescence or physical damage of an asset;
- (5) The asset has been idle or is becoming idle, discontinued, or plans to dispose of an asset before the previously expected date;
- (6) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected; and
- (7) Other evidence indicates impairment of assets.

**17. Employee compensation****(1) Employee compensation**

Employee compensation comprises salary, bonus, allowance, welfare, social insurance, housing fund, labor union expenditure, employee education expenditure and other relevant expenditures of service rendered by the employees.

The Company should recognize the employee compensation as liability during the period of employee provide service to company. In accordance with the beneficiaries of the service rendered by employee, the Company should record the employee benefits into relevant cost and expense. For the compensation for employee due to cancellation of labor contract, the Company should record the compensation into the profit and loss during the current period.

**(2) Termination benefits**

Termination benefits are benefits payable as a result of cancellation of labor contract between the Company and employees. Termination benefits comprise: (a) the Company decides to terminate an employee's employment before the normal retirement date; (b) employee's decision to accept voluntary redundancy in exchange for those benefits; (c) the Company decides to implement internal retire plan.

Recognition principle of termination benefits:

- (1) The Company has instituted formal termination plan or voluntary redundancy advice, and will implement them;
- (2) The Company can't recall the termination plan or voluntary redundancy advice unilateral.

Measurement of termination benefits:

- (1) For the termination benefits with no choice right for employee, the Company recognizes the employee compensation payable according to employee quantity, and compensation amounts;
- (2) For the voluntary termination advice, firstly estimates the amount of employees who will accept the termination advice, and then make the provision for compensation payable according to the expected amount of employees and termination compensation of each employee etc.

Recognition criteria of termination benefits:

- (1) For the termination plans with instalment or voluntary termination advice, when planning and checking the recognition condition of contingent liability for each period or stage, then the contingent liability caused by providing termination benefits shall be confirmed, and recorded into management expenses satisfying the confirmation conditions of contingent liability for the current period.
- (2) For the internal retirement plans according to the rules, the Company shall recognize the draft payment for the employees of internal retirement and social insurance premium, from the date of ceasing working to the date of normal retirement, as contingent liability, and recorded into management expenses for the current period.

**18. Contingent liability**

- (1) The recognition principle of contingent liability: When the external warranty, outstanding litigation and claims, warranty on quality of goods, dismissal plan, loss-making contract, reorganization liability, liability on disposal of fixed asset and other relevant contingent events, meet the following criterions. The recognition will be made by the Company:

- (1) The obligation is a current obligation of the Company;
- (2) It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and
- (3) The amount of the obligation can be measured reliably.

- (2) The measurement for the estimated liability: The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation, and the Company shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the contingencies. If the time value of money is of great significance, the best estimate amounts shall be determined after discounting the relevant future outflow of cash. The Company shall check the book value of the estimated debts on the balance sheet date. If there is any exact evidence indicating that the book value cannot really reflect the current best estimate amounts, the Company shall adjust the book value in accordance with the current best estimate amounts.

**19. The recognition method**

The revenue of the Company is mainly from selling goods and abalienating the right of use assets. The relevant revenue shall be recognized, when the relevant economic benefits may flow into the Company, and the relevant amount of revenue can be measured reliably, and also satisfying the following recognition standards,

**(1) Revenue of selling goods**

The revenue from selling goods shall be recognized, when the significant risks and rewards of ownership of the goods have been transferred to the buyer by the Company, and the Company remains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods, the sales revenue can be measured reliable, the relevant future economic benefits flows into the enterprise, and the occurred or arising expenses can be measured reliable.

**(2) Revenue from abalienating the use right of assets**

The revenue from abalienating of use right of assets shall be recognized, when the relevant economic benefits are likely to flow into the Company, and the amount of revenues can be measured reliably, or meet the criterion stated below:

- (1) The interest income shall be recognized in accordance with the interest rate of the Company's funds be used by the third party and the real interest rate.
- (2) Revenue on lease will be recognized on straight-line in the lease term.

**20. Lease**

The lease of the Company is operating lease.

The lease revenue will be recognized on the straight-line in the lease term.

**21. Government subsidies**

A government subsidy of the Company shall be recognized if the Company can meet the conditions for the government subsidy and can also obtain the government subsidy. If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government subsidy is a non-monetary asset, it shall be measured at its fair value; if its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount (RMB1).

The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. The government subsidies pertinent to incomes shall be treated respectively in accordance with the indications as follows: (1) those subsidies used for compensating the related future expenses or losses of the Company shall be recognized as deferred income and shall included in the current profits and losses during the period when the relevant expenses are recognized; or (2) those subsidies used for compensating the related expenses or losses incurred to the Company shall be directly included in the current profits and losses.

**22. The deferred tax asset and the deferred tax liability**

Deferred tax assets and deferred tax liability should be recognized at the differences (taxable temporary differences) between the tax base of an asset or liability and its carrying amount. The Company shall recognize the deferred income tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, deferred tax asset and deferred tax liability should be measured at applicable tax rate.

The Company shall recognize the deferred tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to obtain and which can be deducted from the deductible temporary difference. For the deferred tax assets which already have been recognized, where there is any evidence showing that the Company is probably unable to acquire sufficient amount of taxable income tax in a future period to offset against the deductible temporary difference, the book value of the deferred tax assets shall be deducted. Where it is likely to acquire sufficient amount of taxable income tax, the amount deducted shall be reversed.

**23. Income tax**

The Company shall recognize income tax by balance sheet liability method. The income taxes of the current period and deferred income tax of the Company shall be treated as income tax expenses or incomes, and shall be recorded into the current profits and losses, excluding the income taxes incurred under the following circumstances: (1) the business combination; and (2) the transactions or events directly recognized as the owner's equity. The income taxes of the current period and deferred income tax related to the transactions or events directly recorded in the owner's equity shall be recorded into the owner's equity.

The income tax expenses for the current period the amount payable to the Tax Office which are calculated and recognized according to the tax law and transactions and events of the current period, i.e. income taxes payable; the deferred income taxes refer to the differences recognized between the amounts on the ending period and amounts recognized originally of deferred tax assets and liabilities according to the balance sheet liability method.

**24. Presentation of consolidated financial statements**

- (1) Recognition principles of consolidation scope: Scope of consolidated financial statements should include all subsidiaries of the parent and the special purpose entities.
- (2) Accounting methods of consolidated financial statements: The Company's consolidated financial statements had been prepared in accordance with "Accounting Standard for Business Enterprise No. 33 – Consolidated Financial Statements". All material intra-group transaction and balance had been eliminated in full. The parts of subsidiaries' equity non-attributable to parent company shall be as minority equity lined separately in the owner's equity on the face of consolidated financial statements.

Where there are inconsistent accounting policies and accounting period, when preparing the consolidated financial statements, the Company shall adjust the subsidiaries' financial statements in accordance with the Company's accounting policies and accounting period.

For the subsidiary obtained under different control, when preparing the consolidated financial statements, the Company shall adjust the separate financial statements based on the fair value of identifiable net assets at the purchase date; for the subsidiaries combined by the Company under the same control, regard the subsidiaries that they have been existing since the beginning of the period, and the assets, liabilities, operation performance and cash flows shall be consolidated into the financial statements of the beginning of the combination period according to their original book value.

## VI. PRINCIPAL TAXATION

The applicable tax to the Company as follows:

### 1. Enterprise income tax

According to the requirements of "The Announcement about Advance Payment on Enterprise Income Tax", Guoshuifa (No. 17) 2008 issued by General Bureau of State Tax, in 2008, the re-identification of High-technology will be performed on all enterprises in Beijing. The enterprise income tax rate of the Company is temporarily applied on 25% for 2008. In accordance with "The Announcement about Temporary Preferential Enterprise Income Tax Rate", Guofa (No. 39) 2007 issued by State Department on 26 December 2007, and "The Announcement about Performance on the Temporary Preferential Enterprise Income Tax of State Department", Caishui (No. 21) 2008 issues by General Bureau of State Tax on 4 February 2008, as the subsidiary of the Company, Shaanxi Beiren Printing Machinery Limited will continue to take the benefits from the Preferential Tax Policy on West China Great Development, the Enterprise Income Tax is applied on 15%. Enterprise Income Tax of Beijing Beiren Fuji Printing Machinery Limited is the half of the tax amount calculated on 25%. All other subsidiaries are applied on the statutory enterprise income tax rate.

Tax rates for subsidiaries are as following:

Company	Tax Rate
Shaanxi Beiren Printing Machinery Limited	15%
Beijing Beiren Fuji Printing Machinery Limited	12.5%
Haimen Beiren Printing Machinery Company Limited	25%
Hebei Beiren Gei Zhi Ji Chong	25%
Beijing Beiren Yuxin Offset Printing Limited	25%
Beijing Beiren Jinyan Printing Machinery Factory	25%
Sheenlite Limited	17.5%

### 2. VAT

The value-added tax is applied on sales of goods, further processing of goods, and repairs and supply replacements. And the valued-added tax is levied at 17% on domestic sales of goods.

Input VAT on the raw material purchased should written-off against the output VAT, levied at 17%. And the input VAT on exporting could be refunded

VAT payable is the balance of the output VAT after deducting the input VAT for the period.

### 3. Business tax

Business Tax of the Company is levied as the amount of 5% of the taxable revenue.

### 4. City construction tax and education surcharge

City construction tax is levied at 5-7% of net VAT payable & business tax. Education surcharge is levied at 3% of net VAT payable & business tax.

### 5. Real estate tax

The real estate tax is levied at 1.2% of the 70%-80% of the real estates' initial carrying amounts or 12% of rental income of buildings.

## VII. CONSOLIDATION AND CONSOLIDATED FINANCIAL STATEMENTS

## 1. Major subsidiaries

Unit: 0'000

Company	Registration Location	Nature	Registered Capital	Operating Scope	Investment Amount	Shareholding (%)	Voting Right (%)	Consolidated for the period
Shaanxi Beiren Printing Machinery Limited	Weinan City, Shanxi Province	Limited Liability company	11,500	Manufacture, sale and maintain printing machines, packing machines, engineering machines and electrical equipments and relevant fittings, manufacture and sale typesetting machines and printing machines	9,918.00	86.24	86.24	Yes
Beijing Beiren Fuji Printing Machinery Limited	Chaoyang District, Beijing City	Sino-Foreign Equity Joint Venture Enterprise	USD510	Manufacture printing machines, sale self-manufactured products	2,963.27	70.00	70.00	Yes
Haimen Beiren Printing Machinery Company Limited	Haimen City, Jiangsu Province	Limited Liability company	5,100	Manufacture printing machines and relevant fittings	3,484.80	68.33	68.33	Yes
Hebei Beiren Gei Zhi Ji Chong	Shijiazhuang City, Hebei Province	Limited Liability company	500	Process and sale paper providers and relevant fittings	253.40	50.68	50.68	Yes
Beijing Beiren Jinyan Printing Machinery Factory	Yanqing Country, Beijing City	Joint stock company	2,105	Manufacture printing machines and relevant components provide relevant technical consulting services	2,100.00	99.76	99.76	Yes
Sheenlite Limited	Hong Kong	Limited Liability company	HKD3	Act as HK Office of the Company and keep The Company's properties	3.51	100.00	100.00	Yes
Beijing Beiren Yuxin Offset Printing Limited	Dongcheng District, Beijing City	Limited Liability company	2,243	Book printing, binding, typesetting and plate making	1,540.00	68.66	68.66	Yes

## Notes:

- (1) Shaanxi Beiren Printing Machinery Holdings Limited (hereafter "Shaanxi Beiren"), the original name was Shaanxi Printing Machinery Plant, was founded in 1967 by Lanzhou Petroleum and Chemical Machinery Plant, Luoyang Mining Machinery Plant, Taiyuan Heavy Machinery Plant. Shaanxi Beiren was subject to the No. 1 Machinery Plant, and changed to be subject to the Machinery Bureau of Shaanxi, since November 1997, it was transferred to Huanghe Engineering Machinery Corporation (hereafter, "Shaanxi Huanggong"), and the name was changed into Shaanxi Huanggong Printing Machinery Ltd. Co.

In December 2000, Shaanxi Huanggong Printing Machinery Ltd. converted debt to equity, the debts holding by Huarong Asset Management Company of China were converted into equity. After the conversion, Shaanxi Huanggong was held 69.56% by Shaanxi Huanggong, and 30.44% by Huarong Asset Management Company of China.

On 28 December 2001, as approved by Economy and Trade Committee, the part of State-owned assets were transferred under the Company through debts acceptance. In January 2002, as approved by the Administration Bureau of Industry and Commerce, the Company's name was modified as Shaanxi Beiren, registered capital was RMB100 million invested by the Company and Huarong Asset Management Company of China, including invested by the Company RMB84.18 millions represented as 84.18% of registered capital, Huarong Asset Management Company of China invested RMB15.82 millions and represented as 15.82% of the registered capital.

In April 2004, the Company made the further capital investment to Shaanxi Beiren RMB15 million. Including: accumulated investments by the Company RMB99.18 million, represented as 86.24% of the registered capital; accumulated investments made by Huarong Asset Management Company of China 15.82 million, represented as 13.76% of the registered capital. On 18 December 2006, the corporation Operating License No. 6100001010030 was issued by the Administration Bureau of Industry and Commerce of Shanxi. Legal representative is: Guohua Wang, address: West of Dongfeng Street, Gaocun district, City of Weinan.

- (2) Beijing Beiren Fuji Printing Machinery Ltd. (hereafter "Beijing Beiren Fuji") was the joint venture company by the Company and Fuji Machinery Industry Ltd. of Japan, with the registered capital 2 million US dollars. The Company holds 70% with the investment of cash, and Fuji Japan holds 30% with 15% investment in patent technology and 15% investment in cash. In 1998, the capital of Beijing Beiren Fuji was increased to 5.1 million US dollars. The capital was increased at the original capital holding proportion, and no changes in the proportion after the capital increase. The legal representative is: Peiwu Zhang, address: Fatou Chaoyang District, Beijing.
- (3) Haimen Beiren Fuji Printing Machinery Ltd. (hereafter "Haimen Beiren Fuji") was founded in February 1996, operating duration is 20 years, the original registered capital is RMB29 million, the Company and Nantong Printing Machinery Plant respectively invested RMB14.848 million (represented as 51.2% of registered capital) and RMB14.152 million (represented as 48.8% of the registered capital). With the bankrupt of Nantong Printing Machinery Plant, the government of Haimen issued the document Haizhengfa No. 73 (1999) in June 1999, share of Nantong Printing Machinery Plant transferred to Haimen Printing Machinery Plant. The share holding right was transferred a few times there after. In September 2003, 73.8% of the share was transferred to Beijing Fuji, and 20% of the share was transferred to Mr. Dagang Kong.

On 18 April 2004, with the agreement of General Meeting of shareholders, the Company and Beijing Beiren made the increase in capital RMB11 million. In October 2005, the Company made further additional investment RMB11 million. On 27 December 2006, Haimen Beiren Fuji got the Corporation Operating License No. 3206841100017, the registered capital of the Company is RMB51 million, including the investment of the Company RMB34.848 million, represented as 68.33% of the registered capital; Beijing Beiren Fuji invested RMB10.352 million, represented as 20.3% of the registered capital. Mr. Dagang Kong invested RMB5.80 million, represented as 11.37% of the registered capital. The legal representative is: Peiwu Zhang, address: Sanhe Economy Zone, Haimen.

- (4) Hebei Beiren Paper Supplying Machinery Ltd. (hereafter, Hebei Beiren) with the prior name of Hebei Beiren Paper Supplying Machinery Plant, was founded with the issued document by government of Shi Jia Zhuang, "the Letter about Founding Hebei Beiren Paper Supplying Machinery Plant by Hebei Upholster Printing Machinery Ltd. and Beiren Printing Machinery Ltd." Hebei Beiren was founded with the investment by the Company and Hebei Upholster Printing Machinery Ltd. in March 1995, Corporation Operating License No. 1301001000869, registered capital RMB4.8026 million, including the investment of Hebei Upholster Printing Machinery Ltd. RMB2.3685 million, represented as 49.23% of the registered capital; the investment of the Company is RMB2.4341 million, represented as 50.68% of the registered capital. In 2003, Hebei Beiren transferred RMB197,400 from Undistributed Profit to form the Ltd., after that, the registered capital of Hebei Beiren is RMB5 million, including the investment of RMB2.466 million by Hebei Upholster Printing Machinery Ltd. and RMB2.534 million investment by the Company. The proportion of investment keep the same with before. The legal representative is: Zhendong Yang, address: No. 88 Huitong Road, Shi Jia Zhuang.
- (5) Beijing Beiren Jingyan Printing Machinery Plant (hereafter, Beijing Jingyan) was founded in 1996 by the Company and North Printing Machinery Plant of Chaoyang Beijing, the initial registered capital was RMB4.05 million, including the investment by the Company RMB4 million, represented as 98.76% of the registered capital; the investment by North Printing Machinery Plant of Chaoyang Beijing was RMB50 thousands, represented as 1.24% of the registered capital. On 30 December 2003, the Company made increase in the capital RMB17 million, after that, the registered capital is RMB21.05 million, including the investment of the Company RMB21 million, represented as 99.76% of the registered capital; the investment 50 thousands by North Printing Machinery Plant of Chaoyang Beijing, represented as 0.24% of the registered capital. Corporation Operating License is No. 1102291965246, legal representative: Zhendong Yang, address: Village Wangquan, Town Yanqing, County Yanqing, Beijing.
- (6) Chenguang Ltd. (hereafter Hongkong Chenguang) is the registered oversea company of the Company in accordance with No. 11 in the Corporation Act of Hongkong. The registered address is 6/F, block A, Mansion Gaofeng, No. 5 Road Fuyin, Hongkong. The scope of the business is supplying the office assets and the relevant management service.
- (7) Eijing Beiren Yuxin Offset Printing Ltd. (hereafter, Beiren Yuxin) was founded in December 2001 by the Company and Beijing Offset Printing Ltd. together with other 27 natural persons, with registered capital RMB22.43 million, the investment of the Company is RMB15.4 million, represented as 68.66% of the registered capital; the investment by the Beijing Offset Printing Ltd. is RMB4.281132 million, represented as 19.8% of the registered capital; the investment by the 27 natural persons is RMB2.748868 million, represented as 12.26% of the registered capital. In December 2001, we got the Corporation Operating License No. 1101011348089, legal representative is: Jing Liu, address: No. 77, Meishu Guan Hou Jie, Dongcheng District, Beijing.

## 2. The changes in scope of the consolidation

The Company Conducted liquidation on two subsidiaries in 2007: Hubei Beiren Printing Machinery Sales Ltd. and Zhejiang Beiren Printing Machinery Sales Ltd. The balance sheets of these two companies were not consolidated for the year of 2007, but their Income Statements for the first half year of 2007 were included in the scope of consolidation.

Except for the events mentioned above, the scope of consolidation of the financial statement for the current year is the same as the last year.

## VIII. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

## 1. Monetary fund

Item	30 June 2008			31 December 2007		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Cash			<b>46,801.18</b>	56,345.34		56,345.34
Including: USD	<b>13.00</b>	<b>6.8591</b>	<b>89.59</b>	0.00		0.00
JPY	<b>622.00</b>	<b>0.0645</b>	<b>39.85</b>	0.00		0.00
SKW	<b>46,000.00</b>	<b>0.0065</b>	<b>324.58</b>	0.00		0.00
Bank			<b>43,656,337.13</b>			98,596,197.98
Including: USD	<b>304,603.77</b>	<b>6.8591</b>	<b>2,096,668.20</b>	411,156.66	7.3046	3,003,641.75
JPY	<b>646,563.00</b>	<b>0.0645</b>	<b>41,421.41</b>	8,067,558.73	0.9364	7,554,462.00
HKD	<b>420,526.48</b>	<b>0.8792</b>	<b>369,726.88</b>			
Other monetary funds	<b>13,282,684.22</b>		<b>13,282,684.22</b>	9,751,032.12		9,751,032.12
<b>Total</b>			<b>56,985,822.53</b>			<b>108,403,575.44</b>

- (1) Other monetary funds include RMB8,549,000.00 of pledged bank deposits, RMB2,692,000.00 of letter deposit and RMB2,041,684.22 of letter of credit deposit as at 30 June 2008.
- (2) The balance in the year end was 47.43% less than the balance at the beginning of this year, and it is mainly due to the decrease in operating income for the year.

## 2. Notes Receivable

## (1) Types

Type	30 June 2008	31 December 2007
Bank acceptance notes	<b>19,894,164.00</b>	36,936,053.79

- (2) As at the end of the year, the remaining notes receivable have not been pledged and mortgaged.
- (3) Notes receivable endorsed but not due as at the end of year.

Type	Due period		Amount
Bank acceptance notes	2 July 2008	18 December 2008	70,604,542.77

- (4) The balance in the year end was 46.14% less than the balance at the beginning of this year. It is mainly due to the assignment of the notes endorsed and the decrease in operating income.

## 3. Accounts receivable

## (1) Risk classification for accounts receivables

Item	30 June 2008			31 December 2007		
	Amount	Proportion%	Provision for bad debts	Amount	Proportion %	Provision for bad debts
Accounts receivable material in individual amounts	<b>123,277,794.82</b>	<b>25.94</b>	<b>16,715,970.85</b>	107,120,737.88	22.10	18,513,819.12
Accounts receivable non-material in individual amounts, but with credit risk	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	0.00	0.00	0.00
Other accounts receivable non-material in individual amounts	<b>351,985,962.82</b>	<b>74.06</b>	<b>59,048,111.44</b>	377,629,739.15	77.90	49,597,491.81
<b>Total</b>	<b>475,263,757.64</b>	<b>100.00</b>	<b>75,764,082.29</b>	<b>484,750,477.03</b>	<b>100.00</b>	<b>68,111,310.93</b>

After the impairment testing, there is no material impairment on any individual significant account receivable.

For the classification policy of risk on accounts receivable, see Notes 5 (7).

## (2) Aging analysis for account receivable

Item	30 June 2008			31 December 2007		
	Amount	Proportion%	Provision for bad debts	Amount	Proportion%	Provision for bad debts
Within 1 year	337,093,813.64	70.93	0.00	354,370,260.80	73.10	0.00
1 year-2 years	64,600,358.74	13.59	17,718,676.83	56,303,375.42	11.61	11,674,425.68
2 years-3 years	24,977,503.54	5.26	16,275,218.78	36,865,826.78	7.61	20,536,321.90
Over 3 years	48,592,081.72	10.22	41,770,186.68	37,211,014.03	7.68	35,900,563.35
<b>Total</b>	<b>475,263,757.64</b>	<b>100.00</b>	<b>75,764,082.29</b>	<b>484,750,477.03</b>	<b>100.00</b>	<b>68,111,310.93</b>

(3) The Company has written off account receivables of RMB28,000.00 of Wenzhou Printing Material Company, RMB75,000.00 of Zhejiang Sanxin Company, and RMB49,953.00 of Xinjiang Printing Group Company. These receivables were the un-settled amounts on hectograph. According to the agreement reached with client for the unsettled amounts, and the Company made a decision of giving up this item.

(4) During the year, the Company entered into a number of transactions on factoring of account receivables to obtain monetary fund for sale of printing machinery with Shanghai Pudong Development Bank, Beijing Branch. The balance of factoring of account receivables were included in short term loans (see Note 14(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 30 June 2008, the balance of factoring account receivables was RMB90,539,046.18. The bad debts provision made for overdue receivables in current period was RMB3,908,165.85.

(5) The details of the balance of the account receivables due from shareholders who hold 5% or more of the Company's shares are as follows:

Company name	30 June 2008	31 December 2007
Beiren Group Corporation	790,000.00	1,460,000.00

(6) Top five of account receivables are in the amount of RMB56,045,685.72; occupy 11.79% of total account receivable.

(7) Accounts receivable of related parties of RMB10,200,800.90, take percentage of 2.15% of total accounts receivable.

(8) Account receivables contains following balances in foreign currencies:

Foreign currency	30 June 2008			31 December 2007		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange Rate	RMB
USD	339,391.82	6.8591	2,327,922.43	162,454.12	7.3046	1,186,662.37
EURO			0.00	296,000.00	10.6669	3,157,402.40
<b>Total</b>			<b>2,327,922.43</b>			<b>4,344,064.77</b>

(9) Closing balance decreases 4.11% on opening balance, as a result of the decrease of operating income this year.

## 4. Prepayment

Item	30 June 2008		31 December 2007	
	Amounts	Proportion %	Amounts	Proportion %
Within 1 year	29,819,540.79	79.35	30,600,473.49	94.62
1 year-2 years	6,241,626.57	16.61	1,416,457.09	4.38
2 years-3 years	1,352,520.61	3.60	324,689.07	1.00
Over 3 years	165,133.57	0.44	0.00	0.00
<b>Total</b>	<b>37,578,821.54</b>	<b>100.00</b>	<b>32,341,619.65</b>	<b>100.00</b>

(1) Items whose age is over 1 year are as a result of uncompleted projects or being not accounted by the other side.

(2) For the end balance of prepayments, there are no prepayments from shareholders who hold over 5% (including 5%) of the Company's shares of voting right.

## 5. Other receivables

## (1) Risk classification for other receivables

Item	30 June 2008			31 December 2007		
	Amount	Proportion %	Provision for bad debts	Amount	Proportion %	Provision for bad debts
Other receivables material in amounts	31,565,552.60	55.48	14,088,241.00	32,971,535.04	61.76	14,088,241.00
Other receivables non-material in amounts, but with credit risk	0.00	0.00	0.00	0.00	0.00	0.00
Other receivables non-material in amounts	25,328,540.22	44.52	6,194,026.20	20,411,091.89	38.24	5,374,006.67
<b>Total</b>	<b>56,894,092.82</b>	<b>100.00</b>	<b>20,282,267.20</b>	<b>53,382,626.93</b>	<b>100.00</b>	<b>19,462,247.67</b>

## (2) Aging analysis for other receivables

Item	30 June 2008			31 December 2007		
	Amount	Proportion %	Provision for bad debts	Amount	Proportion %	Provision for bad debts
Within 1 year	8,892,468.86	15.63	1,769,000.00	25,544,234.37	47.85	1,769,000.00
1 - 2 years	15,136,222.44	26.61	214,966.08	1,556,323.30	2.92	214,966.08
2 - 3 years	4,235,381.62	7.44	93,323.53	1,848,593.57	3.46	93,323.53
Over 3 years	28,630,019.90	50.32	18,204,977.59	24,433,475.69	45.77	17,384,958.06
<b>Total</b>	<b>56,894,092.82</b>	<b>100.00</b>	<b>20,282,267.20</b>	<b>53,382,626.93</b>	<b>100.00</b>	<b>19,462,247.67</b>

## (3) Part of largest other receivables are as follows:

Company	Note	Amounts	Nature	Proportion %
Offset Printing Limited	1	11,149,311.60	Trade funds	19.60
Southeast Asia	2	9,088,241.00	Investment	15.97
Xian Office of Huarong Assets Management Company	3	6,328,000.00	Share repurchase payment	11.12
Ying Peng Cooperative Credit Union, Bai Yin, Gansu Province	4	5,000,000.00	Bank deposit	8.79

## Notes:

- Item of Offset Printing Limited is trade funds between The Company's subsidiary Beiren Yuxin and its minority shareholder Beijing Offset Printing Limited.
  - Item of Southeast Asia is investment in south-east Asia in previous periods, were accounted in full amount bad debts provision due to the solid difficulty of the collection on the outstanding balance amount.
  - Item of Xian Office of Huarong Assets Management Company is share redemption funds, according to the article of Shaanxi Beiren Printing Machinery Limited, Xian Office of Huarong Assets Management Company acquired shares in a debt-share transfer way, share disposal could be in forms of transfer, replacement or redemption. Share redemption should be completed before year 2007 with the same annual share redemption. Xian Office of Huarong Assets Management Company acquired shares of RMB15,820,000.00 in a debt-share transfer way with a five-year repurchase period. Xian Office of Huarong Assets Management Company totally repurchased RMB6,328,000.00 for year 2003 and 2004. Xian Office of Huarong Assets Management Company did not act as regulations of share disposal, for there were no relevant resolutions of the board of directors.
  - Receivables of Ying Peng Cooperative Credit Union is bank deposit, it was fully made provision for bad debts, for Ying Peng is in the process of liquidation, and the deposit was almost not possible collected.
- (4) There are no prepayments due from shareholders who hold 5% or more of the Company's shares of voting right.
- (5) Top five of other receivables are amounted to RMB33,334,552.60, take percentage of 58.59% of total other receivables.
- (6) Account receivables of related parties of RMB943,272.21, take percentage of 1.66% of total account receivables.

- (7) Other receivables contains following balances in foreign currencies:

Foreign currency	30 June 2008			31 December 2007		
	Foreign currency	Exchange Rate	RMB	Foreign currency	Exchange Rate	RMB
HKD	5,466,211.21	0.8792	4,805,892.90	17,881,905.93	0.9364	16,744,616.71
<b>Total</b>	<b>5,466,211.21</b>		<b>4,805,892.90</b>	17,881,905.93		16,744,616.71

**6. Inventory and the impairment provision**

## (1) Categories of inventories

Item	30 June 2008	31 December 2007
Materials in transit	513,509.50	135,000.00
Raw materials	106,821,762.84	109,665,760.40
Work in progress	388,303,607.41	399,918,879.85
Storage goods	325,229,442.73	217,199,286.48
Low value consumables	1,936,655.35	1,895,912.53
Self made semi-finished goods	16,676,173.80	17,824,229.81
Work in process-outsourced	4,305,113.02	2,372,878.39
<b>Total</b>	<b>843,786,264.65</b>	749,011,947.46

## (2) Impairment provision for inventory

Item	31 December 2007	Provision	Reduces in Period		30 June 2008
			Reversal	Transferred out	
Raw materials	1,856,895.97	0.00	0.00	12,552.00	1,844,343.97
Work in progress	29,122,600.39	486,532.94	0.00	3,073,077.22	26,536,056.11
Storage goods	34,696,872.60	1,752,897.28	0.00	501,412.86	35,948,357.02
<b>Total</b>	65,676,368.96	2,239,430.22	0.00	3,587,042.08	64,328,757.10

For provision policy, see Notes 5(8).

- (3) Closing balance of inventory increased 14.07% over opening balance, as a result of changing of market and the decrease of sales amount this year:

**7. Long-term equity investments**

## (1) Long-term equity investments

Item	30 June 2008	31 December 2007
Accounted in cost method	50,000.00	50,000.00
Accounted in equity method	25,949,604.80	24,191,198.13
<b>Total</b>	<b>25,999,604.80</b>	24,241,198.13
Less: provision for impairment on long-term equity investments	50,000.00	50,000.00
<b>Net book value</b>	<b>25,949,604.80</b>	24,191,198.13

## (2) Accounted in cost and equity method

Name of invested Companies	Share holding %	Original amounts	Balance at the beginning of the year		Increase	Decrease	30 June 2008	Cash dividends for the year
			Original	Balance at the beginning of the year				
In cost method								
Ying Shen Associated Company Limited		50,000.00	50,000.00	0.00	0.00	50,000.00	0.00	
Sub-total		50,000.00	50,000.00	0.00	0.00	50,000.00	0.00	
In equity method								
Beijing Monigraf Automations Co. Ltd.	49	3,675,000.00	8,593,334.71	726,825.78	0.00	9,320,160.49	0.00	
Beijing Beiying Moulding Company Limited	20	1,136,000.00	4,854,455.50	858,809.36	0.00	5,713,264.86	0.00	
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	49	22,540,000.00	10,743,407.92	172,771.53	0.00	10,916,179.45	0.00	
Sub-total		27,351,000.00	24,191,198.13	1,758,406.67	0.00	25,949,604.80	0.00	
<b>Total</b>		<b>27,401,000.00</b>	<b>24,241,198.13</b>	<b>1,758,406.67</b>	<b>0.00</b>	<b>25,999,604.80</b>	<b>0.00</b>	

## (3) Provision for impairment on long-term equity investments

Company	31 December 2007	Provision	Reduces in Period		30 June 2008
			Reversal	Transferred out	
Ying Shen Associated Company Limit	50,000.00	0.00	0.00	0.00	50,000.00

The Company's subsidiary Shaanxi Beiren Printing Machinery Limited invested RMB50,000.00 into Ying Shen Associated Company Limit, and had no controlling or significant influence. The investment was made bad debts provision in full amount.

## (4) Associations

Company	Registered Location	Nature of Business	Share holding	Voting Right	End balance of total Net Assets	Total Operating Income	Net Profit
Beijing Monigraf Automations Co. Ltd.	Beijing City	Develop, manufacture and sale automations of printing machines, provide relevant installation, repairs and consulting services	49%	49%	19,020,735.68	10,762,592.58	1,483,317.91
Beijing Beiyong Moulding Company Limited	Beijing City	Manufacture and sale parts, manufacture castings and models, develop and transfer technology, provide consulting services	20%	20%	28,907,169.30	59,834,341.62	4,294,046.78
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Beijing City	Manufacture and sale printing machines, provide relevant consulting services	49%	49%	18,315,785.31	65,963,672.40	(184,501.68)
<b>Total</b>					<b>66,243,690.29</b>	<b>136,560,606.60</b>	<b>5,592,863.01</b>

## 8. Investment properties

## (1) Accounted in cost methods

Item	31 December 2007	Increase	Decrease	30 June 2008
<b>Original cost</b>	23,411,212.70	0.00	0.00	23,411,212.70
Buildings	23,411,212.70	0.00	0.00	23,411,212.70
<b>Accumulated depreciation</b>	6,414,275.90	544,698.38	0.00	6,958,974.28
Buildings	6,414,275.90	544,698.38	0.00	6,958,974.28
<b>Accumulated impairment provision</b>	0.00	0.00	0.00	0.00
Buildings	0.00	0.00	0.00	0.00
<b>Book value</b>	16,996,936.80	(544,698.38)	0.00	16,452,238.42
Buildings	16,996,936.80	(544,698.38)	0.00	16,452,238.42

## 9. Non-current assets

## (1) Non-current assets list

Item	Buildings	Machinery	Transportation facilities	Office equipment	Others	Total
<b>Original cost</b>						
31 December 2007	582,094,413.61	539,777,497.07	19,971,133.66	59,363,355.61	5,714,359.33	1,206,920,759.28
Increase	0.00	8,970,742.83	689,946.15	567,134.08	43,474.22	10,271,297.28
Transferred from construction in progress	0.00	7,892,542.07	0.00	0.00	0.00	7,892,542.07
Decrease	5,563,535.39	1,063,234.44	130,000.00	1,793,219.89	0.00	8,549,989.72
<b>30 June 2008</b>	<b>576,530,878.22</b>	<b>547,685,005.46</b>	<b>20,531,079.81</b>	<b>58,137,269.80</b>	<b>5,757,833.55</b>	<b>1,208,642,066.84</b>
<b>Accumulated depreciation</b>						
31 December 2007	85,758,902.74	338,875,444.67	11,445,395.89	44,238,291.59	1,454,954.08	481,772,988.97
Increase	9,201,551.36	11,397,186.17	912,914.09	1,722,615.13	235,051.64	23,469,318.39
Decrease	36,560.87	681,678.25	0.00	1,725,800.32	0.00	2,444,039.44
<b>30 June 2008</b>	<b>94,923,893.23</b>	<b>349,590,952.59</b>	<b>12,358,309.98</b>	<b>44,235,106.40</b>	<b>1,690,005.72</b>	<b>502,798,267.92</b>
<b>Impairment provision</b>						
31 December 2007	0.00	20,753,981.71	115,000.00	0.00	0.00	20,868,981.71
Increase	0.00	0.00	0.00	0.00	0.00	0.00
Reversal	0.00	0.00	0.00	0.00	0.00	0.00
Other deduction	0.00	0.00	0.00	0.00	0.00	0.00
<b>30 June 2008</b>	<b>0.00</b>	<b>20,753,981.71</b>	<b>115,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>20,868,981.71</b>
<b>Net book value</b>						
31 December 2007	496,335,510.87	180,148,070.69	8,410,737.77	15,125,064.02	4,259,405.25	704,278,788.60
<b>30 June 2008</b>	<b>481,606,984.99</b>	<b>177,340,071.16</b>	<b>8,057,769.83</b>	<b>13,902,163.40</b>	<b>4,067,827.83</b>	<b>684,974,817.21</b>

(2) There are no idle fixed assets for the current year.

(3) The subsidiary Shaanxi Beiren Printing Machinery Limited had no land certificate for the land use right with net book value of RMB717,118.00, for it was granted by government in system reformation.

(4) Some of buildings and machinery with original cost of RMB122,167,863.37 and net book value of RMB81,230,542.53 were pledged to bank for short-term loans.

(5) The Company disposed some non-current assets with original value of RMB7,359,266.32 and net book value of RMB6,041,490.50, which resulted in a disposal profit of RMB2,897,017.71.

## 10. Construction in progress

## (1) Construction in progress list

Name	Budget	31 December 2007		Transferred into Non-Current Assets	Other Deductions	30 June 2008	Source of Funds	Progress of Work
		787,927.24	Increase					
Construction	8,800,000.00	578,927.24	2,458,616.68	0.00	0.00	3,037,543.92	Equity fund	84%
Equipments in installation	16,900,000.00	9,277,243.90	863,305.15	7,892,542.07	0.00	2,248,006.98	Equity fund	87%
Others	660,000.00	1,507,637.73	542,449.25	0.00	0.00	2,050,086.98	Equity fund	
<b>Total</b>	<b>26,360,000.00</b>	<b>11,363,808.87</b>	<b>3,864,371.08</b>	<b>7,892,542.07</b>	<b>0.00</b>	<b>7,335,637.88</b>		

Including: capitalised borrowing expenses

11. Intangible assets  
(1) Intangible assets

Item	Land use right	Non-patent technology	Software	Total
<b>Original cost</b>				
31 December 2007	147,086,043.77	3,676,709.59	720,747.00	151,483,500.36
Addition	80,000.00	0.00	0.00	80,000.00
Deduction	0.00	0.00	0.00	0.00
<b>30 June 2008</b>	<b>147,166,043.77</b>	<b>3,676,709.59</b>	<b>720,747.00</b>	<b>151,563,500.36</b>
<b>Accumulated Amortisation</b>				
31 December 2007	15,156,088.73	2,570,098.39	378,007.00	18,104,194.12
Amortisation	1,355,118.87	282,151.38	49,794.00	1,687,064.25
Deduction	0.00	0.00	0.00	0.00
<b>30 June 2008</b>	<b>16,511,207.60</b>	<b>2,852,249.77</b>	<b>427,801.00</b>	<b>19,791,258.37</b>
<b>Book Value</b>				
31 December 2007	131,929,955.04	1,106,611.20	342,740.00	133,379,306.24
<b>30 June 2008</b>	<b>130,654,836.17</b>	<b>824,459.82</b>	<b>292,946.00</b>	<b>131,772,241.99</b>

Some of land use right with original cost of RMB15,522,113.60 and net book value of RMB14,641,488.88 were pledged to bank for short-term loans.

- (2) As at 30 June 2008, 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.

12. Long-term Prepaid Expenses

Items	30 June 2008	31 December 2007
Land developing expense	12,029,291.10	12,062,291.10
<b>Total</b>	<b>12,029,291.10</b>	<b>12,062,291.10</b>

The land developing expense is accrued when the Company reorganized into the stock company. The expense was invested as valued amount by Beiren.

13. Deferred Tax Asset  
(1) Deferred tax asset

Item	30 June 2008	31 December 2007
Deductible temporary difference in deferred tax assets	3,151,010.29	2,967,876.81

- (2) Recognized temporary difference in deferred tax assets at the end balance

Deductible temporary difference	30 June 2008	31 December 2007
Provision for bad debts	9,092,729.81	9,122,729.81
Provision for impairment on inventories	12,370,417.44	11,706,846.44
Impairment provision of long-term equity investment	50,000.00	50,000.00
Depreciation of non-current assets	10,482.05	10,482.05
Impairment of non-current assets	635,478.75	635,478.75
Deferred expenses	280,000.00	280,000.00
Not-paid employee education funds	206,172.74	0.00
Total	22,645,280.79	21,805,537.05
Tax rates	15%-25%	15%-12%
<b>Recognized deferred tax assets</b>	<b>3,151,010.29</b>	<b>2,967,876.81</b>

14. Short-Term Loans

Type	30 June 2008	31 December 2007
Credit bank loans	231,000,000.00	225,000,000.00
Mortgaged bank loans	61,150,000.00	55,650,000.00
Guaranteed bank loans	23,000,000.00	22,750,000.00
Pledged bank loans	55,002,250.00	61,679,750.00
<b>Total</b>	<b>370,152,250.00</b>	<b>365,079,750.00</b>

Pledged loans were the account receivable with recourse transferred/discouted by the Company to financing institutions. As at 30 June 2008, the outstanding short term pledged bank loans under the said contracts on factoring of account receivables amounted to RMB55,002,250.00.

**15. Bills Payable**

Type of Loan	30 June 2008	31 December 2007
Bills Payable	<b>25,000,000.00</b>	43,674,009.30

The balance at 30 June 2008 was decreased by 42.76% compared with the balance at 31 December 2007, mainly due to the control of payment progress and the decrease of bills payable.

**16. Accounts Payable**

(1) As at 30 June 2008, the accounts payable was RMB380,311,882.06 (RMB345,116,144.28 as at 31 December 2007). The closing balance was increased by 10.20% compared with the opening balance, mainly due to extension of payment term so as to relieve the pressure for capital.

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

Name of the Company	30 June 2008	31 December 2007
Beiren Group Corporation	<b>2,899,003.03</b>	3,210,025.91

(3) At the end of the reporting period, the accounts payable to People's Bank of China Research Institute was RMB1,052,142.40. This amount was for the cooperation with People's Bank of China Research Institute to manufacture coinage machine in which Renxing research institute provided the patent technology. This item was stopped and the account payables which were the fees of using the patent negotiated at that time were not close up yet.

**17. Advance Receipts**

The balance of advance receipts was RMB90,727,956.66 on 30 June 2008 (with the balance of RMB77,570,563.28 on 31 December 2007). The end balance was increased 16.96% higher than the last period; it is mainly due to the large contracts are not be installed yet and not be accounted into income.

In the current period, there is no due amount arose from any shareholder with over 5% (incl. 5%) voting right or any other relevant parties.

The balance of the advanced payment in foreign currency:

Foreign Currency	30 June 2008			31 December 2007		
	Original currency	Convert rate	RMB	Original currency	Convert rate	RMB
USD	<b>1,707,446.09</b>	<b>6.8591</b>	<b>11,711,543.48</b>	669,693.57	7.3046	4,891,843.65
<b>Total</b>	<b>1,707,446.09</b>		<b>11,711,543.48</b>	669,693.57		4,891,843.65

**18. Employee compensation**

Item	31 December 2007	Increase	Decrease	30 June 2008
Salary (includes bonus, allowance and subsidy)	120,000.00	55,435,488.89	55,530,488.89	<b>25,000.00</b>
Employees welfares' fee	0.00	6,644,235.99	6,644,235.99	<b>0.00</b>
Social insurance fee	14,353,675.61	22,536,921.64	21,287,034.07	<b>15,603,563.18</b>
Includes:				
1. Medical insurance fee	7,493,510.56	7,226,046.39	7,027,025.13	<b>7,692,531.82</b>
2. Basic endowment insurance fee	6,385,097.11	13,332,780.83	12,401,381.18	<b>7,316,496.76</b>
3. Unemployment insurance fee	304,510.18	1,042,568.96	903,155.86	<b>443,923.28</b>
4. Hurt insurance fee	94,911.04	545,986.81	567,765.14	<b>73,132.71</b>
5. Bearing insurance fee	75,646.72	389,538.65	387,706.76	<b>77,478.61</b>
Housing fund	1,122,920.45	10,274,600.11	9,836,308.77	<b>1,561,211.79</b>
Labour union fee and employee Education fee	2,598,453.90	1,899,360.42	2,069,439.42	<b>2,428,374.90</b>
Non currency welfare	0.00	7,144,215.57	7,144,215.57	<b>0.00</b>
Compensation on cease of employment contract	35,283,351.12	102,473.76	6,092,740.82	<b>29,293,084.06</b>
Others	346,087.55	2,461,232.81	2,713,933.40	<b>93,386.96</b>
<b>Total</b>	<b>53,824,488.63</b>	<b>106,498,529.19</b>	<b>111,318,396.93</b>	<b>49,004,620.89</b>

## 19. Taxes Payable

Tax category	Tax rate	30 June 2008	31 December 2007
Value added tax	17%	(1,319,918.74)	2,946,268.86
Business tax	5%	112,126.16	213,176.17
City maintenance and constructed tax	7%	153,008.22	420,411.03
Enterprise income tax	25%, 12%	(2,292,691.45)	(2,006,342.96)
Individual tax		299,416.09	1,295,156.80
House property tax		(22,540.89)	21,628.08
Ground used tax		76,570.02	123,430.00
Stamp tax		0.00	49,335.04
Education surcharge	4%	76,756.34	122,027.94
Water conservancy fund		357,729.95	272,168.98
Others		882,967.78	0.00
<b>Total</b>		<b>(1,676,576.52)</b>	<b>3,457,259.94</b>

## 20. Other Payables

(1) As at 30 June 2008, the amount of other payables was RMB55,491,023.41 (at 31 December 2007 was RMB56,569,045.82).

(2) Other payables from shareholders who hold 5% or more of the Company's share at the year end are as follow:

Items	30 June 2008	31 December 2007
Beiren Group Corporation	12,365,033.14	12,366,324.25

(3) Other payables in large amount at the end balance

Items	Note	Amount	Aging	Quality or content
Beiren Group Corporation	1	12,365,033.14	More than 3 years	Purchase price
Beijing Beiyong Found Ltd.	2	9,330,922.61	1-2 years	Remise price

1. Money payable to Beiren Group Corporation is the purchase price on the merger with No. 4 Print Machine Factory which belongs to Beiren Group Corporation;

2. Money payable to Beijing Beiyong Casting Co. Ltd. (Beiyong Zhuzao) is the public land remise fund of affiliated company. As of 30 June 2008, the Company has not obtained the certificate of land use right in Daxing, Beijing, which is 92.126 units of area.

**21. Non-Current Liabilities within One Year**

Item	30 June 2008	Due date
Long term accounts payable	29,550,000.00	28 April 2004
<b>Total</b>	<b>29,550,000.00</b>	

When the subsidiary company Beijing Beiren Yuxin Offset Point Ltd. was set up, the minority shareholder Beijing Offset Point Factory invested some of its asset into the Company as long term investment in December 2001, which including long term loan for RMB18,450,000.00, short term loan for RMB11,100,000.00. Beijing Beiren Yuxin offset point Ltd. and Beijing Offset Point Factory came to an agreement in 2002, whereby the Beijing Offset Point Factory should repay the capital and interest to the bank, Beiren Yuxin Offset Point Ltd. should repay this money to Beijing Offset Point Factory in the future years.

**22. Long-Term Loan****(1) Show for different currency:**

Currency	30 June 2008	31 December 2007
RMB	<b>27,000,000.00</b>	29,000,000.00

**(2) Show for loan condition:**

Loan category	30 June 2008	31 December 2007
Guaranteed loan	<b>27,000,000.00</b>	29,000,000.00

**(3) Show for loan units:**

Loan units	30 June 2008	31 December 2007
China agriculture bank Weinan branch	<b>27,000,000.00</b>	29,000,000.00

The increased long term loan is the loan of fixed asset from the subsidiary company of Shaanxi Beiren. The use of this loan is for the development of top grade packaging print machine. The Shaanxi Xinda Realty Ltd. provides the guarantee, the loan period is 5 years, and the year rate is 7.776%, as of 30 June 2008, there was 2,000,000.00 and the maturities are:

Unit: RMB 0'000

Date	Provide	Amount	Date	Maturity	Amount
23 January 2007		2,900.00	23 January 2009		300.00
			23 January 2010		600.00
			23 January 2011		900.00
			22 January 2012		900.00

**23. Contingent liability**

Item	31 December 2007	Increase	Carry forward	30 June 2008	Note
Employee housing fee	266,891.98	0.00	0.00	266,891.98	housing fee

**24. Share Capital****With 1 RMB par value for each share**

Shareholder's Name/Regimentation	30 June 2008	31 December 2007
<b>Conditioning Stock</b>		
State-owned Holdings	<b>180,440,000.00</b>	201,540,000.00
<b>Subtotal</b>	<b>180,440,000.00</b>	201,540,000.00
<b>Un-conditioning Stock</b>		
Common Stock (RMB)	<b>141,560,000.00</b>	120,460,000.00
Stock listed over-sea	<b>100,000,000.00</b>	100,000,000.00
<b>Subtotal</b>	<b>241,560,000.00</b>	220,460,000.00
<b>Total</b>	<b>422,000,000.00</b>	422,000,000.00

As at 30 June 2008, the amounts of the IPO stocks are 21,100,000.00 shares.

Guaranteed market listing time for the conditioning stock:

Time	New shares can be issued from the conditioning stocks at maturity	Balance of conditioning stocks	Balance of Un-conditioning stocks
31 March 2009	180,440,000.00	0.00	422,000,000.00

## 25. Capital Reserve

Item	31 December 2007	Increase	Decrease	30 June 2008
Capital premium	517,305,478.93	0.00	0.00	517,305,478.93
Other capital reverse	5,714,792.13	0.00	0.00	5,714,792.13
<b>Total</b>	<b>523,020,271.06</b>	<b>0.00</b>	<b>0.00</b>	<b>523,020,271.06</b>

## 26. Surplus Reserve

Item	31 Dec 2007	Increase	Decrease	30 June 2008
Statutory surplus reserve	198,928,288.88	0.00	0.00	198,928,288.88

## 27. Undistributed Profits

### (1) Profits distribution list

Item	30 June 2008	31 December 2007
<b>Undistributed Profits At The Year Beginning</b>	<b>16,060,153.67</b>	22,474,593.24
Add: adjustment of undistributed profits at the year beginning	0.00	(14,845,174.57)
Add: net profit this year	(22,797,649.93)	9,278,498.87
Less: provision on surplus fund	0.00	847,763.87
Distribution of ordinary share's dividend	0.00	0.00
<b>Undistributed Profits In The Year End</b>	<b>(6,737,496.26)</b>	16,060,153.67
Including: Planned Cash Dividend	0.00	0.00

## 28. Minority Interest

Name Of Subsidiary	Proportion Of Minority Interest	30 June 2008	31 December 2007
Haimen Beiren Fushi Print Machinery Limited	17.46%	2,241,589.02	2,613,193.99
Beijing Beiren Fushi Print Machinery Limited	30.00%	17,078,185.10	16,683,101.42
Heibei Beiren giving Print Machinery Limited	49.32%	0.00	948,327.24
Beijing Beiren Jingyan Print Machinery factory	0.24%	40,081.04	40,380.30
Beijing Beiren Yuxin Offset Machinery Limited	31.34%	8,001,070.34	7,972,355.60
Shaanxi Beiren Print Machinery Limited	13.76%	17,485,285.69	17,388,920.88
<b>Total</b>		<b>44,846,211.19</b>	45,646,279.43

## 29. Operation Revenue and Operation Costs

### (1) Operation revenue

Items	January to June 2008	January to June 2007
Main operation revenue	393,933,335.27	550,108,543.28
Other operation revenue	5,687,110.90	5,192,245.55
<b>Total</b>	<b>399,620,446.17</b>	<b>555,300,788.83</b>
Sales from top 5 clients	52,379,512.81	71,410,940.17
Proportion	13.11%	12.86%

### (2) Operation costs

Items	January to June 2008	January to June 2007
Main operation costs	316,001,660.44	429,310,153.88
Other operation costs	3,215,437.79	2,289,185.14
<b>Total</b>	<b>319,217,098.23</b>	<b>431,599,339.02</b>

## (3) Main operation revenues and costs (classified as different products and operation)

Item	January to June 2008	January to June 2007
<b>Main operation revenue</b>		
Including: Sales of set print machine	234,793,587.72	411,043,018.05
Sales of intrusion printers	84,186,075.01	53,939,926.56
Sales of form presses	17,501,709.36	15,606,837.60
Sales of spare parts	11,962,082.51	13,137,925.13
Print services	17,066,345.56	12,493,521.79
Others	1,177,635.20	3,010,678.53
Sales of export print machine	27,245,899.91	40,876,635.62
<b>Total</b>	<b>393,933,335.27</b>	<b>550,108,543.28</b>
<b>Main operation costs</b>		
Including: Sales of set print machine	184,995,049.40	327,283,529.59
Sales of intrusion printers	64,687,339.80	40,992,904.63
Sales of Form presses	13,972,289.27	13,575,579.64
Sales of Spare parts	16,859,661.05	9,347,293.20
Printing services	12,723,287.25	9,303,417.18
Others	887,943.37	1,719,751.54
Sales of export print machine	21,876,090.30	27,087,678.10
<b>Total</b>	<b>316,001,660.44</b>	<b>429,310,153.88</b>
<b>Main operation gross profit</b>		
Including: Sales of set print machine	49,798,538.32	83,759,488.46
Sales of intrusion printers	19,498,735.21	12,947,021.93
Sales of Form presses	3,529,420.09	2,031,257.96
Sales of Spare parts	(4,897,578.54)	3,790,631.93
Printing services	4,343,058.31	3,190,104.61
Others	289,691.83	1,290,926.99
Sales of export print machine	5,369,809.61	13,788,957.52
<b>Total</b>	<b>77,931,674.83</b>	<b>120,798,389.40</b>

There is 28.04% increase of operation revenue in this year than in last year and there is 26.04% decrease of operating cost, the gross profit is 20.12% in this year and the gross profit is 22.28% in last year. The main reason is that the market form has changed, and the sales amount as well as the integration gross profit has decreased.

## 30. Business Tax

Items	Base	Tax rate	January to June 2008	January to June 2007
Business tax	Transfer tax		197,277.51	182,435.84
City construction tax	Transfer tax	5%, 7%	440,873.44	2,316,273.87
Education surcharge	Transfer tax	3%, 4%	315,327.49	1,023,210.87
Others			0.00	44,023.84
<b>Total</b>			<b>953,478.44</b>	<b>3,565,944.42</b>

## 31. Sales Expenses

Items	January to June 2008	January to June 2007
Employee salary	8,239,823.56	7,713,415.36
Exhibit fee	1,859,622.04	2,999,744.73
Advertising fee	271,703.00	576,492.36
Warehousing fee	481,600.00	481,600.00
Meeting and business-trip fee	1,440,041.87	1,735,063.47
Entertainment fee	2,465,452.36	2,751,921.14
Transportation fee	5,190,210.68	4,160,028.14
Inviting public bidding fee	226,340.00	109,960.00
Repair fee	3,149,615.66	5,564,886.42
Commission fee	4,084,673.85	1,475,589.20
Insurance and warranty fee	2,076,949.82	2,317,736.24
House rentals	439,544.00	633,752.09
Communication fee	160,083.83	109,063.03
Office allowance	296,216.88	136,875.79
Others	2,592,708.15	1,761,090.71
<b>Total</b>	<b>32,974,585.70</b>	<b>32,527,218.68</b>

## 32. Administrative Expenses

<b>Item</b>	<b>January to June 2008</b>	<b>January to June 2007</b>
Employee salary	18,569,846.67	15,733,712.02
Office allowance	325,884.85	438,371.15
Meeting and election fee	387,219.00	182,235.14
Business-trip fee	801,514.39	946,515.50
Traffic fee	647,963.53	275,647.00
Transportation fee	804,466.33	809,194.73
Water and electricity fee	1,133,661.77	966,169.47
Depreciation fee	5,344,477.63	6,162,307.95
Insurance fee	516,842.82	1,093,061.92
Repair fee	483,837.30	474,617.36
Material consumption	133,503.98	108,723.14
Amortize of intangible asset	1,409,117.56	1,186,707.02
Entertainment fee	967,277.29	876,994.70
Directorate fee	288,814.50	763,289.90
Agency fee	1,897,869.41	3,882,675.11
Other tax fee	3,248,468.45	2,409,596.56
R&D expense	5,657,098.22	5,318,266.57
Retiree fee	2,165,782.61	2,001,019.83
House administration fee	99,863.00	674,739.06
Communication fee	238,924.42	263,292.31
Rentals expenses	246,468.00	228,968.00
Air-conditioning fee	2,480,495.84	1,984,024.93
Trade mark fee	1,978,837.78	3,467,606.61
Insurance and warranty fee	1,062,275.55	2,210,421.49
Others	1,181,880.28	4,213,934.32
<b>Total</b>	<b>52,072,391.18</b>	<b>56,672,091.79</b>

## 33. Financial Expenses

<b>Item</b>	<b>January to June 2008</b>	<b>January to June 2007</b>
Interest payment	12,070,378.26	8,567,244.43
Less: Interest income	342,207.86	468,940.22
Add: exchange loss	1,002,919.48	156,761.06
Add: other payment	729,566.11	493,971.80
<b>Total</b>	<b>13,460,655.99</b>	<b>8,749,037.07</b>

## 34. Loss Of Capital Devalue

<b>Item</b>	<b>January to June 2008</b>	<b>January to June 2007</b>
Bad debt loss	8,625,743.89	11,340,230.83
Impairment loss on inventory	2,239,430.22	1,102,475.36
<b>Total</b>	<b>10,865,174.11</b>	<b>12,442,706.19</b>

## 35. Investment income

<b>Resource of Investment Income</b>	<b>January to June 2008</b>	<b>January to June 2007</b>
Adjusted amount of changes in equity of invested companies	1,758,406.67	(3,108,107.16)
Gains form share right alienation	0.00	1,594,509.34
<b>Total</b>	<b>1,758,406.67</b>	<b>(1,513,597.82)</b>

## 36. Non-Operating Income

<b>Item</b>	<b>January to June 2008</b>	<b>January to June 2007</b>
Gains from non-current asset disposal	3,245,768.21	47,341.64
Government subsidy	627,550.00	0.00
Other	1,243,008.86	2,064,562.67
<b>Total</b>	<b>5,116,327.07</b>	<b>2,111,904.31</b>

The government subsidies in this year are shown below:

Item	Amount	Company
1. Automatization high speed multicolour soft packing print machine development fund	400,000.00	Shaanxi Beiren Print Machinery Limited
2. Market development item subsidy	95,000.00	Shaanxi Beiren Print Machinery Limited
3. Integrative control device of photo-electricity collimation concavity printing and gearing machinery unit	132,550.00	Shaanxi Beiren Print Machinery Limited

### 37. Non-Operating Expenses

Item	January to June 2008	January to June 2007
Loss from non-current asset disposal	413,210.28	238,922.49
Paid-out donation on public welfare	150,000.00	0.00
Special loss	6,640.00	0.00
Other	59,148.98	35,889.75
<b>Total</b>	<b>628,999.26</b>	<b>274,812.24</b>

### 38. Income Tax

Item	January to June 2008	January to June 2007
Income tax for current year	103,648.65	504,058.48
Deferred tax expenses	(183,133.48)	(1,070,959.63)
<b>Total</b>	<b>(79,484.83)</b>	<b>(566,901.15)</b>

### 39. Cash Flow

#### (1) Cash and cash equivalents includes:

Item	30 June 2008	30 June 2007
Cash	43,703,138.31	109,337,925.04
Including: cash on hand	46,801.18	64,904.72
Cash in bank	43,656,337.13	109,273,020.32
Cash equivalents	0.00	0.00
Ending balance of Cash and cash equivalents	43,703,138.31	109,337,925.04
Including: Restricted cash and cash equivalent for parent Company or subsidiary inside the group company	0.00	0.00

#### (2) Received/paid cash relevant with the activities of other management/ investment/ financing

##### 1) Other cash received related to operation activity

Item	January to June 2008	January to June 2007
Refunds from business-trip and imprest	919,719.47	1,191,421.50
Finance subsidies from government received	760,000.00	1,300,000.00
Disposal of wasted material	296,146.72	144,894.44
Water and electricity collections from employee	318,259.80	161,163.86
Interest income	133,193.94	176,494.13
Income on fines and contract default	7,282.86	20,400.00
Medicine fee and fund	410,538.82	550,739.52
Refund of caution money	80,200.00	871,800.00
Receipt of tax refunds on removing	0.00	704,985.00
Housing payment from employee	0.00	2,148,668.91
Others	779,802.06	1,004,075.55
<b>Total</b>	<b>3,705,143.67</b>	<b>8,274,642.91</b>

## 2) Other cash payment related to operation activity

Item	January to June 2008	January to June 2007
Agency fee	2,595,740.45	5,180,540.65
Trade mark fee	1,978,834.78	3,467,606.61
Audit fee	1,455,500.00	1,661,808.30
R&D expenses	5,657,098.22	5,305,866.57
Install and debug fee	2,847,389.05	4,516,377.92
Repair fee	1,941,475.61	4,512,069.29
Traffic and travelling fee	10,391,757.48	9,043,454.37
Entertainment fee	756,731.35	1,575,522.35
Water and electricity fee	3,357,304.50	2,989,902.23
Lease rental payments	617,418.50	778,558.09
Office allowance and meeting fee	3,963,259.19	3,349,057.29
Others	2,443,877.14	11,494,020.14
<b>Total</b>	<b>38,006,386.27</b>	<b>53,874,783.81</b>

## 3) Cash received related to other investment activity

Item	January to June 2008	January to June 2007
Collected caution money	9,751,032.12	6,701,674.54
Others	102,269.71	56,797.19
<b>Total</b>	<b>9,853,301.83</b>	<b>6,758,471.73</b>

## 4) Cash payment related to other investment activity

Item	January to June 2008	January to June 2007
Commercial bank financing fee	503,384.88	0.00
Caution money	13,282,684.22	18,332,579.43
Others	1,107.00	0.00
<b>Total</b>	<b>13,787,176.10</b>	<b>18,332,579.43</b>

## (3) Supplement information of consolidated cash flow

Item	January to June 2008	January to June 2007
<b>1. Cash flow from operating activities</b>		
Net profit	(23,597,718.17)	10,634,847.056
Add: Provision on the impairment of assets	7,278,132.03	(14,410,782.87)
Depreciation of fixed asset	23,469,318.39	22,282,320.22
Amortization of investment real estate	544,698.38	996,528.64
Amortization of intangible asset	1,687,064.25	1,576,172.78
Amortization of long-term prepaid expenses	33,000.00	34,065.00
Loss from disposal on fixed asset, intangible assets, and other long term asset	(2,897,017.71)	191,580.85
Loss of fixed asset disposal	64,459.78	0.00
Gain or loss from changes in fair value	0.00	0.00
Financial expenses	12,070,378.26	8,567,244.43
Loss from investment	(1,758,406.67)	1,513,597.82
Decrease in deferred tax assets	(183,133.48)	(1,070,959.63)
Increase in deferred tax liability	0.00	0.00
Decrease in inventory	(94,774,317.19)	59,170,344.73
Decrease of account receivable	17,779,941.40	(91,925,027.89)
Increase of account payable	28,955,209.01	29,223,249.50
Other	0.00	0.00
Net cash flow from operating activity	(31,328,391.72)	26,783,180.64
<b>2. Cash flow from financing activity:</b>		
Debts transferred into capital	0.00	0.00
Corporation debenture with maturity less than one year	0.00	0.00
Financing leased fixed asset	0.00	0.00
<b>3. Changes in cash and cash equivalent:</b>		
End balance of cash	43,703,138.31	109,337,925.04
Less: beginning balance of cash	98,652,543.32	76,102,837.73
Add: end balance of cash equivalents	0.00	0.00
Less: beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	(54,949,405.01)	33,235,087.31

## IX. NOTES TO THE MAIN ITEMS OF PARENT COMPANY'S FINANCIAL REPORT

## 1. Account receivable

## (1) Risk classification for accounts receivables

Item	30 June 2008			31 December 2007		
	Amount	Proportion %	Provision of bad debt	Amount	Proportion %	Provision of Bad debt
Accounts receivable material in individual amounts	123,277,794.82	32.05	16,715,970.85	99,940,737.88	24.70	18,513,819.11
Accounts receivable non-material in individual amounts, but with credit risk	0.00	0.00	0.00	0.00	0.00	0.00
Other accounts receivable non-material in individual amounts	261,336,768.26	67.95	43,286,151.13	304,681,031.34	75.30	35,101,445.27
<b>Total</b>	<b>384,614,563.08</b>	<b>100.00</b>	<b>60,002,121.98</b>	<b>404,621,769.22</b>	<b>100.00</b>	<b>53,615,264.38</b>

After the impairment testing, there is no material impairment on any individual significant account receivable.

## (2) Aging analysis for account receivable

Item	30 June 2008			31 December 2007		
	Amount	Proportion %	Provision of bad debt	Amount	Proportion %	Provision of Bad debt
Within 1 year	281,607,116.09	73.21	0.00	313,255,935.86	77.42	0.00
1-2 years	50,032,911.52	13.01	15,009,873.46	35,841,016.97	8.86	10,479,305.09
2-3 years	19,722,062.79	5.13	11,739,775.84	30,738,488.18	7.60	18,349,631.08
More than 3 years	33,252,472.68	8.65	33,252,472.68	24,786,328.21	6.12	24,786,328.21
<b>Total</b>	<b>384,614,563.08</b>	<b>100.00</b>	<b>60,002,121.98</b>	<b>404,621,769.22</b>	<b>100.00</b>	<b>53,615,264.38</b>

## (3) Provision for bad, please refer to Notes 5.7

(4) The Company cancelled the account receivable of web machine for RMB28,000.00 from Wenzhou print material company this year. The Company cancelled RMB75,000.00 from Zhenjiang Sanxin Company and RMB49,953.00 from Xinjiang print group company. Because there is an agreement about this fund, the Company decided to cancel this account receivable.

(5) The details of the balance of the account receivables due from shareholders who hold 5% or more of the Company's shares are as follows:

Name of company	30 June 2008	31 December 2007
Beiren Group Company	790,000.00	1,460,000.00

(6) The Company and Shanghai Pudong development bank Beijing branch subscribed some operation about printing machine selling for getting currency capital. According to "temporarily regulation of financing accounting between corporation and bank or other finance institution", (accounting No. 14, 2003), the Company puts the account receivables into short term loan. As of 30 June 2008, the balance of factoring of account receivables was RMB90,539,046.18, and the bad debt is RMB3,908,165.85.

(7) The sum of top 5 of the end balance is amounted to RMB56,045,685.72, which is 14.57% of the total amount receivable.

(8) Balance of receivables from related party is amounted to RMB10,200,800.90, which is 2.65% of the total amount receivables.

(9) The balance of receivables in foreign currency:

Foreign currency	30 June 2008			31 December 2007		
	Original currency	Rate	RMB	Original currency	Rate	RMB
USD	109,260.00	6.8591	749,425.27	162,454.12	7.3046	1,186,662.37
Euro				296,000.00	10.6669	3,157,402.40
<b>Total</b>	<b>109,260.00</b>		<b>749,425.27</b>			<b>4,344,064.77</b>

## 2. Other Account Receivable

### (1) Risk classification for other receivables

Item	30 June 2008			31 December 2007		
	Amount	Ratio %	Provide of bad debt	Amount	Ratio %	Provide of Bad debt
Single item account receivable with large amount	19,610,682.02	64.81	16,922,263.96	30,832,857.71	75.88	17,088,241.00
Single item account receivable with un-large amount but has big risk after risk character combination	0.00	0.00	0.00	0.00	0.00	0.00
Other single item account receivable with un-large amount	10,647,817.63	35.19	2,427,696.83	9,801,217.84	24.12	1,441,700.26
<b>Total</b>	<b>30,258,499.65</b>	<b>100.00</b>	<b>19,349,960.79</b>	<b>40,634,075.55</b>	<b>100.00</b>	<b>18,529,941.26</b>

### (2) Aging analysis for other receivables

Item	30 June 2008			31 December 2007		
	Amount	Ratio %	Provide of bad debt	Amount	Ratio %	Provide of Bad debt
Less than 1 year	5,330,763.16	17.61	1,769,000.00	6,389,887.46	15.72	1,769,000.00
1-2 years	2,622,272.21	8.67	0.00	362,184.87	0.89	0.00
2-3 years	362,184.87	1.20	0.00	1,721,445.04	4.24	0.00
More than 3 years	21,943,279.41	72.52	17,580,960.79	32,160,558.18	79.15	16,760,941.26
<b>Total</b>	<b>30,258,499.65</b>	<b>100.00</b>	<b>19,349,960.79</b>	<b>40,634,075.55</b>	<b>100.00</b>	<b>18,529,941.26</b>

### (3) Other receivables of larger amount are as follows:

Name	Amount	Quality	Proportion of total amount
Chenguang Ltd.	5,522,441.02	Housing fund	18.25%
Southeast Asia	9,088,241.00	Investment Fund	30.04%
Baiyin Yinpeng City Credit	5,000,000.00	Deposit	16.52%

- (4) The end balance of other receivables is not including any shareholder with more than 5% (incl. 5%) shares of the Company.
- (5) The top 5 of the end balance of other receivable are amounted to RMB22,744,462.22, which is 75.17% of the total other receivables.
- (6) The end balance of other receivable due from related parties is amounted to RMB943,272.21, which is 3.12% of the total other receivables.
- (7) End balance in foreign currency of other account receivable:

Foreign currency	30 June 2008			31 December 2007		
	Original currency	Exchange Rate	RMB	Original currency	Exchange Rate	RMB
HKD	5,466,211.21	0.8792	4,805,892.90	17,881,905.93	0.9364	16,744,616.71
<b>Total</b>	<b>5,466,211.21</b>		<b>4,805,892.90</b>	<b>17,881,905.93</b>		<b>16,744,616.71</b>

## 3. Long-term Equity Investment

### (1) Long-term equity investments

Item	30 June 2008	31 December 2007
Calculated long term stock rights investment according to cost method	202,594,699.26	202,594,699.26
Calculated long term stock rights investment according to equity method	25,949,604.80	24,191,198.13
Sum of long term stock rights investment	228,544,304.06	226,785,897.39
Less: provide of devaluation for long term stock rights investment	0.00	0.00
<b>Net value of long term stock rights investment</b>	<b>228,544,304.06</b>	<b>226,785,897.39</b>

## (2) In terms of the Cost method and Owner's Equity method

Name of invested companies	Percentage of share holding	Registered share capital	Beginning balance	Increase	Decrease	Ending balance	Dividends of the year
<b>Cost Method</b>							
Haimen Beiren Fuji Printing Machinery Limited	68.33	34,848,000.00	34,848,000.00	0.00	0.00	34,848,000.00	0.00
Beijing Beiren Fuji Printing Machinery Limited	70.00	29,632,699.26	29,632,699.26	0.00	0.00	29,632,699.26	0.00
Hebei Beiren Gai Zhi Ji Co. Ltd.	50.68	2,534,000.00	2,534,000.00	0.00	0.00	2,534,000.00	0.00
Beijing Beiren Jingyan Printing Machinery Factory	99.76	21,000,000.00	21,000,000.00	0.00	0.00	21,000,000.00	0.00
Beijing Beiren Yuxin Offset Co. Ltd.	68.66	15,400,000.00	15,400,000.00	0.00	0.00	15,400,000.00	0.00
Shaanxi Beiren Printing Machinery Co. Ltd.	86.24	99,180,000.00	99,180,000.00	0.00	0.00	99,180,000.00	0.00
Chenguang Limited	100.00	3.51	0.00	0.00	0.00	0.00	0.00
Sub-total		202,594,702.77	202,594,699.26	0.00	0.00	202,594,699.26	0.00
<b>Equity Method</b>							
Beijing Monigraf Automations Co. Ltd.	49	3,675,000.00	8,593,334.71	726,825.78	0.00	9,320,160.49	0.00
Beijing Beiyong Casting Co. Ltd.	20	1,136,000.00	4,654,455.50	858,809.36	0.00	5,713,264.86	0.00
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	49	22,540,000.00	10,743,407.92	172,771.53	0.00	10,916,179.45	0.00
Sub-total		27,351,000.00	24,191,198.13	1,758,406.67	0.00	25,949,604.80	0.00
<b>Total</b>		<b>229,945,702.77</b>	<b>226,785,897.39</b>	<b>1,758,406.67</b>	<b>0.00</b>	<b>228,544,304.06</b>	<b>0.00</b>

## (3) Associations

Name of invested companies	Place of register	Nature of business	Percentage share holding of the Company	Percentage of voting rights of the Company in the invested company	Total net assets at the end of period	Total operating income for the current period	Net income for the current period
<b>Association Companies</b>							
Beijing Monigraf Automations Co. Ltd.	Beijing	The Research and development, design, manufacture, sale of the control system of printing ink within the printer, the sale of the printing facilities and printing material, and in connection with its own products' illustration, adjustment, maintenance, technology advisory and training.	49%	49%	19,020,735.68	10,762,592.58	1,483,317.91
Beijing Beiyong Casting Co. Ltd.	Beijing	Processing and sale of standard and non-standard components, manufacture of casting, processing of model, technology development, transferring, advisory, service.	20%	20%	28,907,169.30	59,834,341.62	4,294,046.78
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd.	Beijing	Manufacture and sale of printing machinery, related technology advisory and service.	49%	49%	18,315,785.31	65,963,672.40	(184,501.68)
<b>Total</b>					<b>66,243,690.29</b>	<b>136,560,606.60</b>	<b>5,592,863.01</b>

## 4. Operating Income and Cost

## (1) Operating Income

Item	January to June 2008	January to June 2007
Operating income	<b>233,250,775.69</b>	409,064,512.21
Non-operating income	<b>7,902,387.47</b>	4,522,793.34
<b>Total</b>	<b>241,153,163.16</b>	413,587,305.55
Total sale profits from top 5 clients	<b>52,379,512.81</b>	63,428,119.67
Percentage (%)	<b>21.72%</b>	15.34%

## (2) Operating cost

Item	January to June 2008	January to June 2007
Operating cost	<b>192,850,269.97</b>	326,161,615.00
Non-operating cost	<b>5,673,137.85</b>	2,539,453.50
<b>Total</b>	<b>198,523,407.82</b>	328,701,068.50

## (3) Operating income/cost – in classification of products/business

Item	January to June 2008	January to June 2007
<b>Operating income</b>		
Including: Sales of set print machine	223,174,428.86	396,689,247.14
Sales of spare parts	8,028,301.37	8,572,648.51
Sales of printing machine exporting	69,375.40	3,380,831.64
Others	1,978,670.06	421,784.92
<b>Total</b>	<b>233,250,775.69</b>	<b>409,064,512.21</b>
<b>Operating cost</b>		
Including: Sales of set print machine	177,592,998.47	318,021,314.22
Sales of spare parts	14,171,062.15	6,154,009.22
Sales of printing machine exporting	50,876.62	1,716,409.03
Others	1,035,332.73	269,882.53
<b>Total</b>	<b>192,850,269.97</b>	<b>326,161,615.00</b>
<b>Gross profit of main business</b>		
Including: Sales of set print machine	45,581,430.39	78,667,932.92
Sales of spare parts	(6,142,760.78)	2,418,639.29
Sales of printing machine	18,498.78	1,664,422.61
Others	943,337.33	151,902.39
<b>Total</b>	<b>40,400,505.72</b>	<b>82,902,897.21</b>

## 5. Investment income

Sources of investment income	January to June 2008	January to June 2007
Adjusted amount of changes in equity of invested companies	1,758,406.67	(3,108,107.16)
Gains from share right alienation	0.00	1,594,509.34
<b>Total</b>	<b>1,758,406.67</b>	<b>(1,513,597.82)</b>

## X. SEGMENT REPORT

Over 90% of the Company's profits and revenue are from domestic manufacture and sales of the printing machinery. Therefore, the management thinks it is not necessary to prepare the segment report.

## XI. DEBT RESTRUCTURE

The Company has no debt reconstruction as at the date of 30 June 2008.

## XII. NON-MONETARY TRANSACTION

The Company has no exchange of non-monetary assets as at the date of 30 June 2008.

## XIII. SHARE BASED PAYMENT

The Company has no share based payment as at the date of 30 June 2008.

## XIV. LEASE

## 1. Net book value of operating leased out assets

Project	30 June 2008	31 December 2007
Land	17,596,066.18	17,786,136.54
Houses and Building	82,813,332.81	79,954,470.69
Machine and facility	2,796,349.53	2,935,213.35
Transportation facility	50,115.54	50,115.54
<b>Total</b>	<b>103,255,864.06</b>	<b>100,725,936.12</b>

## XV. RELATED PARTIES RELATIONSHIP AND TRANSACTIONS

### 1. Relationship Of Related Parties

Subsidiaries under control (appendix 7 – merger of corporations and consolidation of financial statements)

#### (1) Other related parties with control relationship

Name of related parties	Code of the Organization	Place of register	Business Scope	Relationship with the Company	Ownership	Legal representative
Beiren Group Corporation	10110132	4# Guangqu Venue Chaoyang District Beijing	Sales and manufacture of printing machinery, packaging machinery, series products of machine tool and components, technology development, technology advisory etc.	Holding company	Ownership by the wide people	Deng gang
Beijing Jingcheng Machinery and Electronic Holding Co. Ltd.	633686217	59# Zhong Venue Dongsanhuan Chaoyang District Beijing	Operation and management of authorized State capital: property right (stock right) operation; collecting and investing money from foreign countries.	Ultimate holding company	Wholly state-owned	Li jisheng

#### (2) The registered capital shares and the changes, in other related parties with control relationship (RMB0,000)

Related parties	31 December 2007	Increase	Decrease	30 June 2008
Beiren Group Corporation	20,026.60	0.00	0.00	20,026.60
Beijing Jingcheng Machinery and Electronic Holding Co. Ltd.	135,901.50	0.00	0.00	135,901.50

#### (3) The holding percentage of other related parties with control relationship (RMB'000)

Related parties	Cash of Share holding		Percentage of Share holding	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
Beiren Group Corporation	22,264.00	22,264.00	52.76%	52.76%

#### (4) The nature of related parties without control relationship

Related parties	Relationship	Content of transactions
Beijing Beiyong Casting Co. Ltd	Associated firm	Purchasing and leasing
Beijing Monigraf Automations Co. Ltd.	Associated firm	Purchasing and leasing
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Associated firm	Purchasing and leasing
Beijing Yanlong Import and Export Co., Ltd.	Subsidiary of Parent company	Production sale

## 2. Related Parties Transactions

### (1) Pricing policy

The price of products sold to and the raw material bought from related parties should be determined as to the market price or negotiation price.

### (2) Purchase of materials

Related parties	January to June 2008 Amount	January to June 2007 Amount
Beijing Beiyong Casting Co. Ltd.	11,524,570.15	13,231,935.01
Beijing Monigraf Automations Co. Ltd.	5,758,700.09	2,144,444.44
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	47,403,967.38	49,176,947.38
Beiren Group Corporation	456,320.42	3,885,879.40

### (3) Sales of products

Related parties	January to June 2008 Amount	January to June 2007 Amount
Beiren Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	6,384,000.00	0.00
Beijing Yanlong Import and Export Co., Ltd.	5,064,102.56	1,239,316.24

### (4) Accepting and providing guarantees

Besides the acceptance of guarantee from Shannxi Xinda Real Estate Development Limited to obtain long-term debt, the company has no other acceptance and providing of guarantees as at 30 June 2008.

## (5) Other transactions

Related parties	January to June 2008	January to June 2007	Content of transactions
Beiren Group Corporation	<b>1,978,837.78</b>	3,467,606.61	Expense of brand use
Beijing Beiyong Casting Co. Ltd.	<b>2,203,532.34</b>	2,203,532.34	Income from leasing assets
Beijing Monigraf Automations Co. Ltd.	<b>45,000.00</b>	50,000.00	Income from leasing assets
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	<b>810,918.00</b>	810,788.00	Income from leasing assets

## 3. Balance of Related Parties Transactions

Related parties	Accounts	30 June 2008	31 December 2007
Beiren Group Corporation	Accounts receivables	<b>790,000.00</b>	1,460,000.00
Beiren Group Corporation	Accounts payables	<b>2,899,003.03</b>	3,210,025.91
Beiren Group Corporation	Other accounts payables	<b>12,365,033.14</b>	12,366,324.25
Beijing Yanlong Import and Export Co., Ltd.	Accounts receivables	<b>690,000.00</b>	218,000.00
Beijing Yanlong Import and Export Co., Ltd.	Accounts payables	<b>0.00</b>	12,240.00
Beijing Beiyong Casting Co. Ltd.	Accounts receivables	<b>1,251,520.90</b>	0.00
Beijing Beiyong Casting Co. Ltd.	Accounts payables	<b>5,158,506.03</b>	2,417,388.93
Beijing Beiyong Casting Co. Ltd.	Other Accounts receivables	<b>853,272.21</b>	853,200.00
Beijing Monigraf Automations Co. Ltd.	Accounts payables	<b>1,989,910.18</b>	640,425.66
Beijing Monigraf Automations Co. Ltd.	Other Accounts receivables	<b>90,000.00</b>	195,000.00
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Accounts receivables	<b>7,469,280.00</b>	0.00
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Accounts payables	<b>73,333,962.68</b>	47,066,415.40
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Other accounts payables	<b>365,023.00</b>	365,023.00

## XVI. CONTINGENCIES

There was no significant contingent events for the company as at 30 June 2008.

## XVII. COMMITMENTS

## 1. Signed and conducting or preparing to be engaged lease contracts and financial impacts

As of 30 June 2008<sup>(1)</sup>, the Company made commitments on the amount of the non-revocable operating lease as to renting the land of Beiren Group Corporation, office sites from Shanghai and Shenzhen branches:

Unit: RMB'000

Period	Operating Lease
T+1 years	1,142.44
T+2 years	292.32
T+3 years	292.32
After T+3 years	876.96
<b>Total</b>	<b>2,604.04</b>

2. As of 30 June 2008, except for the above events, there was no other significant commitments for the Company.

## XVIII. DISCONTINUED OPERATION

There was no discontinued operating division or divisive segments for the Company in the current period.

## XIX. OTHER SIGNIFICANT EVENTS

As of 30 June 2008, there was no other significant event to be disclosed by the Company.

**XX. SUPPLEMENTARY INFORMATION****1. Reconciliation Statement of the net assets and net profit (RMB'000)**

Item	Net assets		Net profit	
	30 June 2008	31 December 2007	January to June 2008	January to June 2007
Prepared under the HKFRS	<b>1,174,103</b>	1,199,123	<b>(21,776)</b>	8,639
1. Difference in valuation of assets contributed by Beiren Group Corporation	<b>11,822</b>	11,855	<b>(33)</b>	(33)
2. Difference in valuation of assets contributed to subsidiaries	<b>212</b>	228	<b>(16)</b>	-16
3. Difference in recognition of good will upon acquisition of a subsidiary	<b>(3,135)</b>	(3,135)	–	–
4. Difference in recognition of deferred tax	<b>(1,622)</b>	(1,622)	–	1,786
5. Difference in recognition of transfer of diminution in value of assets	–	1,730	<b>(1,730)</b>	–
6. Others	<b>(1,535)</b>	(1,493)	<b>(43)</b>	259
Prepared under Accounting Standards for Business Enterprises	<b>1,179,845</b>	1,206,686	<b>(23,598)</b>	10,635

During the year, the impact of differences between the PRC and Hong Kong accounting standards on the net profit of the Company was RMB1,822,000. The major differences are as follows:

- (1) Adjustment on valuation of assets contributed by Beiren Group Corporation: In accordance with HK GAAP, the land developing expense contributed by Beiren Group Corporation to the Company was accounted for as capital reserve. In accordance with Accounting Standards for Business Enterprises, the amount was recorded as the increase in long term deferred expenses. Accordingly, the related amortization charge of RMB33,000 for the year was written back in the accounts by the Company.
- (2) Difference in valuation of assets contributed to subsidiaries: In accordance with HK GAAP, the intangible assets invested by the Company into the subsidiaries with original cost of RMB4,624,000 should be written off after recognition. In accordance with Accounting Standards for Business Enterprises, the intangible assets were stated as assets of the Group. Accordingly, the related amount of amortization of RMB16,000 for the year was written back in the accounts by the Company.

**2. Statement of non-operating income and loss**

Items	January to June 2008	January to June 2007
Profit and loss from disposal of long-term assets	<b>2,832,819.27</b>	(191,580.85)
Government subsidies which are included into profit and loss account for the current period	<b>627,550.00</b>	0.00
Net profit or loss of subsidiaries under common control from the beginning of the financial year to the acquisition date	<b>0.00</b>	0.00
Other non-operating profit (loss)	<b>1,026,958.54</b>	2,028,672.92
Sub-total	<b>4,487,327.81</b>	1,837,092.07
Impacts from income tax	<b>696,330.01</b>	402,603.14
<b>Total net profit on non-operating activities</b>	<b>3,790,997.80</b>	1,434,488.93
Equity attributable to share holders of the parent company	<b>3,482,118.76</b>	1,195,723.12

### 3. Returns on net assets and earnings per share

In accordance with "Rule No. 9 for disclosing the information of companies which can issue securities publicly – calculation and disclosure of returns on net assets and earnings per share" issued by CSRC, the Returns on net assets and earnings per share on fully diluted basis and weighted average basis of the company are as follow:

#### (1) January-June 2008

Profit for the reporting period	Returns on net assets (%)		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Basic EPS	Diluted EPS
Net profit for equity holders of the Company	(2.01%)	(1.98%)	(0.05)	(0.05)
Net profit for equity holders of the Company after Extraordinary Items	(2.32%)	(2.29%)	(0.06)	(0.06)

#### (2) January-June 2007

Profit for the reporting period	Returns on net assets (%)		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Basic EPS	Diluted EPS
Net profit for equity holders of the Company	0.97%	0.97%	0.03	0.03
Net profit for equity holders of the Company after extraordinary items	0.86%	0.87%	0.02	0.02

#### (3) The calculating procedure of the returns on net assets

Items	Number	January to June 2008	January to June 2007
Net profit for equity holders of the Company	1	(22,797,649.93)	11,221,224.96
Net profit of extraordinary items for equity holders of the company	2	3,482,118.76	1,195,723.12
Net profit for equity holders of the Company after extraordinary items	3=1-2	(26,279,768.69)	10,025,501.84
Net asset for equity holders of the Company at the end of the period	4	1,134,998,889.75	1,162,100,990.62
Returns on net assets on fully diluted basis (I)	5=1÷4	(2.01%)	0.97%
Returns on net assets on fully diluted basis (II)	6=3÷4	(2.32%)	0.86%
Net asset for equity holders of the Company at the beginning of the period	7	1,161,039,825.84	1,150,879,765.66
Net asset for equity holders of the Company increased by issuing new share and shares converted from debentures	8		
Number of months from next month to the end of the reporting period – the increase of net assets for equity holders of the Company	9		
Net asset for equity holders of the Company decreased by buyback or cash dividends	10		
Number of months from next month to the end of the reporting period – the decrease of net assets for equity holders of the Company	11		
Number of Months in the reporting period	12	6.00	6.00
Net asset for equity holders of the Company on weighted average basis	13=7+1÷2+8×9÷12	1,149,641,000.88	1,156,490,378.14
Returns on net assets on weighted average basis (I)	14=1÷13	(1.98%)	0.97%
Returns on net assets on weighted average basis (II)	15=3÷13	(2.29%)	0.87%

## (4) The calculating procedure of basic EPS and diluted EPS

Items	Number	January to June 2008	January to June 2007
Net profit for equity holders of the Company	1	(22,797,649.93)	11,221,224.96
Net profit of extraordinary items for equity holders of the company	2	3,482,118.76	1,195,723.12
Net profit for equity holders of the Company after extraordinary items	3=1-2	(26,279,768.69)	10,025,501.84
Total number of shares at the beginning of the period	4	422,000,000.00	422,000,000.00
Number of shares increased by converting surplus reserve into share capital (I)	5		
Number of shares increased by issuing new shares or shares converted from debentures (II)	6		
Share increase (II) number of months from next month to the end of the reporting period	7		
Number of shares decreased by buyback or shrinking	8		
Share decrease			
Number of months from next month to the end of the reporting period	9		
Number of Months in the reporting period	10	6.00	6.00
Ordinary shares on weighted average basis	$11=4+5+6x7+10-8x9\div10$	422,000,000.00	422,000,000.00
<b>Basic earning per share (I)</b>	$12=1\div11$	(0.05)	0.03
<b>Basic earning per share (II)</b>	$13=3\div11$	(0.06)	0.02
Dividends of diluted convertible ordinary shares as expense	14		
Conversion expense	15		
Income tax	16		
Number of shares increased by options or warrants	17		
<b>Diluted earning per share (I)</b>	$18=[1+(14-15)x(1-16)]\div(11+17)$	(0.05)	0.03
<b>Diluted earning per share (II)</b>	$19=[3+(14-15)x(1-16)]\div(11+17)$	(0.06)	0.02

## 4. Analysis of Provision for impairment

Items	31 December 2007	Provision for this period	Decrease in the year		30 June 2008
			Reversal	Others	
Provision for bad debts	87,573,558.60	8,625,743.89	0.00	152,953.00	96,046,349.49
Provision for impairment on inventories	65,676,368.96	2,239,430.22	0.00	3,587,042.08	64,328,757.10
Provision for impairment on financial assets available for sale	0.00	0.00	0.00	0.00	0.00
Provision for impairment on hold for maturity investments	0.00	0.00	0.00	0.00	0.00
Provision for impairment on long term investments	50,000.00	0.00	0.00	0.00	50,000.00
Provision for impairment on Property held for investment	0.00	0.00	0.00	0.00	0.00
Provision for impairment on fixed assets	20,868,981.71	0.00	0.00	0.00	20,868,981.71
Provision for impairment on construction in progress	0.00	0.00	0.00	0.00	0.00
Provision for impairment on productive life-form assets	0.00	0.00	0.00	0.00	0.00
Provision for impairment on gas and oil	0.00	0.00	0.00	0.00	0.00
Provision for impairment on intangible assets	0.00	0.00	0.00	0.00	0.00
Provision for impairment on goodwill	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	174,168,909.27	10,865,174.11	0.00	3,739,995.08	181,294,088.30

## XXI. APPROVAL OF FINANCIAL STATEMENTS

The Company's financial statements were issued with the approval of the Board of the directors of the Company on 11 August 2008.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the Six Months Ended 30 June 2008

(Prepared in accordance with Hong Kong Financial Reporting Standards)

	Notes	Six months ended 30 June	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Turnover	3	392,980	546,543
Cost of sales		(316,002)	(429,949)
Gross profit		76,978	116,594
Other operating income		9,475	9,513
Selling and distribution expenses		(32,975)	(32,527)
Administrative expenses		(65,022)	(71,831)
Share of results of associates		1,759	(3,108)
Finance costs		(12,070)	(8,783)
(Loss) profit before taxation		(21,855)	9,858
Income tax expense	5	79	(1,219)
(Loss) profit for the period	6	(21,776)	8,639
Attributable to:			
Equity holders of the Company		(20,976)	9,487
Minority interests		(800)	(848)
		(21,776)	8,639
(Loss) earnings per share – Basic	8	(RMB4.97 cents)	RMB2.25 cents

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 June 2008

(Prepared in accordance with Hong Kong Financial Reporting Standards)

	Notes	30/6/2008 RMB'000 (Unaudited)	31/12/2007 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	614,681	636,272
Investment properties		76,156	76,701
Prepaid lease payments - non-current portion		144,912	146,187
Goodwill		3,135	3,135
Other intangible assets		-	283
Interests in associates		26,237	24,478
Deferred tax assets		4,773	4,590
		<b>869,894</b>	891,646
<b>Current assets</b>			
Inventories		779,458	683,335
Trade and other receivables	10	496,362	521,578
Prepaid lease payments - current portion		3,252	3,252
Tax recoverable		2,293	2,006
Pledged bank deposits		13,283	8,083
Bank balances and cash		43,703	100,381
		<b>1,338,351</b>	1,318,635
<b>Current liabilities</b>			
Trade and bills payables	11	405,312	388,268
Other payables		94,708	102,996
Sales deposits received		90,728	79,571
Amount due to ultimate holding company		12,365	12,366
Borrowings - due within one year	12	399,702	396,630
		<b>1,002,815</b>	979,831
<b>Net current assets</b>		<b>335,536</b>	338,804
<b>Total assets less current liabilities</b>		<b>1,205,430</b>	1,230,450
<b>Capital and reserves</b>			
Share capital	13	422,000	422,000
Reserves		702,528	726,748
<b>Equity attributable to equity holders of the Company</b>		<b>1,124,528</b>	1,148,748
Minority interests		49,575	50,375
<b>Total equity</b>		<b>1,174,103</b>	1,199,123
<b>Non-current liabilities</b>			
Borrowings - due after one year	12	27,000	27,000
Deferred income		4,327	4,327
		<b>31,327</b>	31,327
		<b>1,205,430</b>	1,230,450

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the Six Months Ended 30 June 2008

(Prepared in accordance with Hong Kong Financial Reporting Standards)

## Attributable to equity holders of the Company

	Share capital	Share premium	Translation reserve	Capital reserve	Statutory surplus reserve	General reserve fund	Enterprise expansion fund	Discretionary surplus reserve	Retained profits	Sub-total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007 (audited)	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
Exchange difference arising on translation of foreign operations	-	-	81	-	-	-	-	-	-	81	-	81
Profit (loss) for the period	-	-	-	-	-	-	-	-	9,487	9,487	(848)	8,639
Total recognised income for the period	-	-	81	-	-	-	-	-	9,487	9,568	(848)	8,720
Wound up of a subsidiary	-	-	-	-	(7)	-	-	-	7	-	(3,187)	(3,187)
At 30 June 2007 (unaudited)	422,000	435,834	170	51,306	150,425	1,717	3,845	42,979	43,966	1,152,242	46,245	1,198,487
At 1 January 2008 (audited)	422,000	435,834	971	51,306	151,280	1,717	3,845	42,979	38,816	1,148,748	50,375	1,199,123
Exchange difference arising on translation of foreign operations	-	-	(3,244)	-	-	-	-	-	-	(3,244)	-	(3,244)
Loss for the period	-	-	-	-	-	-	-	-	(20,976)	(20,976)	(800)	(21,776)
At 30 June 2008 (unaudited)	422,000	435,834	(2,273)	51,306	151,280	1,717	3,845	42,979	17,840	1,124,528	49,575	1,174,103

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the Six Months Ended 30 June 2008

(Prepared in accordance with Hong Kong Financial Reporting Standards)

	Six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(45,414)	16,382
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,244)	(32,331)
Increase in pledged bank deposits	(5,200)	(11,631)
Prepaid lease payments in respect of land use rights	(80)	-
Proceeds from disposal of property, plant and equipment	8,938	86
Increase in amount due from minority shareholders	-	(157)
Removal compensation received	-	10,000
Other investing cash flows	342	662
	(2,244)	(33,371)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES		
New borrowings raised	194,915	263,430
Repayment of borrowings	(191,843)	(204,516)
Interest paid	(12,070)	(8,567)
Repayment to ultimate holding company	(1)	-
	(8,999)	50,347
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(56,657)	33,358
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	100,381	76,160
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	(21)	(180)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	43,703	109,338

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

For the Six Months Ended 30 June 2008

(Prepared in accordance with Hong Kong Financial Reporting Standards)

**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. 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 (the "Stock Exchange") and the Shanghai Stock Exchange of the PRC respectively.

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 addresses of the registered office and principal place of business of the Company are disclosed in the Basic Corporate Information section to the Interim Report.

The ultimate holding company of the Company is Beiren Group Corporation ("BGC"), a State-controlled Enterprise established in the PRC.

The condensed consolidated Interim Financial Information are presented in Renminbi (RMB), which is the same as the functional currency of the Company.

**2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

The unaudited condensed consolidated Interim Financial Information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" which is one of the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated Interim Financial Information for the six months ended 30 June 2008 has been prepared on the historical cost basis.

The condensed consolidated Interim Financial Information does not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2007.

The accounting policies used in the condensed consolidated Interim Financial Information for the six months ended 30 June 2008 are consistent with those followed in the preparation of the Group's annual financial statements as at 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretations (collectively referred to as "new HKFRSs") issued by the HKICPA, which are effective for the accounting periods beginning on 1 January 2008.

HK(IFRIC)-Interpretation ("Int") 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2008.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009.

The directors of the Company are currently assessing the impact of the new standards, amendments and interpretations but are not yet in position to state whether they would have material impact on the condensed consolidated interim financial information.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

For the Six Months Ended 30 June 2008

(Prepared in accordance with Hong Kong Financial Reporting Standards)

**3. TURNOVER**

	Six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Sales of printing presses	363,727	521,693
Sales of spare parts	13,140	15,922
Provision of printing services	17,066	12,494
Total sales	393,933	550,109
Less: Sales tax and other surcharges	(953)	(3,566)
	<b>392,980</b>	<b>546,543</b>

**4. 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 segmental analysis of financial information is presented.

**5. INCOME TAX EXPENSE**

	Six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
The taxation comprises:		
PRC current period income tax	104	504
Deferred tax (credit) charge	(183)	715
	<b>(79)</b>	<b>1,219</b>

The PRC income tax of the Company is calculated at the rate of 25% (2007: 15%) on the estimated assessable profits for the period. 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 25% (2007: 33%), except for Shaanxi Beiren Printing Machinery Company Limited which is taxed at 15% (2007: 15%) and Beijing Beiren Fuji Printing Machinery Company Limited which is taxed at 12.5% (2007: 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% (2007: 17.5%).

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 became 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 changed from 33% to 25% from 1 January 2008. The Company and certain subsidiaries continue to enjoy the preferential tax rates disclosed below after the New Corporate Income Tax Law until expiry.

According to document (Guoshuifa [2008] 17) "Notice of Provision of Enterprises Income Tax" ("關於企業所得稅預繳問題的通知") issued by the State Administration of Taxation in 2008, the advanced technology enterprises in Beijing will be reassessed. So the Company is using 25% (2007: 15%) for the provision of the income tax.

According to document (Caishuizi [2008] 21) "Notice of Application of Transitional Preferential Policy on Enterprises Income Tax" ("關於貴州省國務院關於實施企業所得稅過渡優惠政策有關問題的通知") issued by the State Administration of Taxation on 4 February 2008, the applicable income tax rate of the Company's subsidiary, Shaanxi Beiren Printing Machinery Company Limited is 15% (2007: 15%).

According to document (Caishuizi [2008] 21) issued by the State Administration of Taxation, the applicable income tax rate of the Company's subsidiary, Beijing Beiren Fuji Printing Machinery Company Limited is 25%, this subsidiary will continue to receive the income tax relief granted in previous years. According to document (Guoshuizhishujianmianzi [2006] 2) "Reply on the Application of Enterprises Income Tax Relief on Advanced Technology Enterprises by Beijing Beiren Fuji Printing Machinery Company Limited" ("關於對北京北人富士印刷機械有限公司申請享受先進技術的企業所得稅減免問題的批覆") 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 12.5% on the estimated assessable profits for the period (2007: 12%).

The Group does not have any significant tax liabilities in any other jurisdiction.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the Six Months Ended 30 June 2008

(Prepared in accordance with Hong Kong Financial Reporting Standards)

## 6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
<b>(Loss) profit for the period has been arrived at after charging (crediting):</b>		
Depreciation and amortisation	25,652	24,573
Share of tax of associates (included in share of results of associates)	250	190
(Gain) loss on disposal of property, plant and equipment	(4,572)	192
Interest income	(342)	(662)
Gain on disposal of a subsidiary and an associate	-	(1,595)

## 7. DIVIDENDS

No dividends were paid during the current period.

The directors do not recommend the payment of any interim dividend.

## 8. (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 period attributable to equity holders of the Company of approximately RMB20,976,000 (2007: profit of approximately RMB9,487,000) and on the number of shares of 422,000,000 shares (2007: 422,000,000 shares) in issue during the period.

No diluted loss/earnings per share is presented as the Company did not have any potential shares outstanding for the two periods ended 30 June 2008 and 2007.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB2,379,000 (2007: RMB1,274,000) on acquisition of property, plant and equipment and approximately RMB3,865,000 (2007: RMB31,057,000) on construction in progress.

During the period, the Group disposed of certain property, plant and machinery with a carrying amount of approximately RMB4,366,000 (2007: RMB278,000) for total proceeds of approximately RMB8,938,000 (2007: RMB86,000), resulting in a gain on disposal of approximately RMB4,572,000 (2007: loss of RMB192,000).

## 10. TRADE AND OTHER RECEIVABLES

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Trade receivables	399,500	416,517
Bills receivables	19,894	36,936
	419,394	453,453
Prepayments and deposits	37,579	32,342
Other receivables	39,389	35,783
	496,362	521,578

The aged analysis of trade and bills receivables at the balance sheet date is as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Within 1 year	356,988	391,183
1 – 2 years	46,882	44,629
2 – 3 years	8,702	16,331
Over 3 years	6,822	1,310
	419,394	453,453

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

For the Six Months Ended 30 June 2008

(Prepared in accordance with Hong Kong Financial Reporting Standards)

**11. TRADE AND BILLS PAYABLES**

The aged analysis of trade and bills payables at the balance sheet date is as follows:

	<b>30 June 2008</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Within 1 year	<b>397,329</b>	385,563
1 – 2 years	<b>4,835</b>	719
2 – 3 years	<b>1,287</b>	1,353
Over 3 years	<b>1,861</b>	633
	<b>405,312</b>	388,268

**12. BORROWINGS**

The Group obtained new borrowings of RMB194,915,000 (2007: RMB263,430,000), and repaid RMB191,843,000 (2007: RMB204,516,000) during the period. The newly raised borrowings bear interest at market rates.

**13. SHARE CAPITAL**

	<b>RMB'000</b>
Registered, issue and fully paid, at 1 January 2007, 30 June 2007, 31 December 2007 and 30 June 2008	
332,000,000 A shares of RMB1 each	322,000
100,000,000 H shares of RMB1 each	100,000
	<b>422,000</b>

**14. CAPITAL COMMITMENT**

	<b>30 June 2008</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Contracted but not provided for the purchase of property, plant and equipment	<b>472</b>	–

**15. RELATED PARTY DISCLOSURE**

(a) The Group entered into the following transactions with its related parties during the period:

	<b>Six months ended 30 June</b> <b>2008</b> <b>RMB'000</b> <b>(Unaudited)</b>	2007 RMB'000 (Unaudited)
Sales of printing presses to		
– Beijing Beiren Hengtong Printing Machinery Sales Limited ("Beijing Beiren Hengtong", an associate)	–	4,936
– Beijing Yanlong Import and Export Company ("Beijing Yanlong", a subsidiary of BGC)	<b>5,064</b>	1,239
– Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Co., Ltd. ("Mitsubishi Beiren", an associate)	<b>6,384</b>	–
Purchase of printing presses from		
– BGC (ultimate holding company)	–	2,397
– Mitsubishi Beiren (an associate)	<b>47,404</b>	49,177
Purchase of materials from		
– BGC (ultimate holding company)	<b>456</b>	1,489
– Beijing Beiyong Casting Company Limited ("Beijing Beiyong", an associate)	<b>11,525</b>	13,232
– Beijing Monigraf Automations Co., Ltd. ("Beijing Monigraf", an associate)	<b>5,729</b>	2,144
Trademark fee paid		
– BGC (ultimate holding company)	<b>1,979</b>	3,468
Rental income received from		
– Beijing Monigraf (an associate)	<b>45</b>	50
– Beijing Beiyong (an associate)	<b>2,204</b>	2,204
– Mitsubishi Beiren (an associate)	<b>811</b>	811

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

For the Six Months Ended 30 June 2008

(Prepared in accordance with Hong Kong Financial Reporting Standards)

**15. RELATED PARTY DISCLOSURE (Continued)****(b) Material balances with related parties at the balance sheet date**

	<b>30 June 2008</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Amounts due from associates	<b>8,721</b>	–
Amounts due to associates	<b>80,482</b>	49,484
Amount due to ultimate holding company	<b>2,109</b>	1,750

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

**(c) Transactions/balances with other State-controlled Enterprises in the PRC**

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "State-controlled Enterprises"). In addition, the Group itself is part of BGC, which is ultimately controlled by the PRC government. Apart from the transactions with BGC and its subsidiaries disclosed in note (a) above, the Group also conducts businesses with other State-controlled Enterprises. The directors of the Company consider those State-controlled Enterprises are independent third parties so far as the Group's business transactions with them are concerned. The Group has also established pricing policies for products and such pricing policies do not depend on whether or not the customers are State-controlled Enterprises. Having due regard to the substance of the relationships and in view of the nature of these transactions, the directors of the Company are of the opinion that disclosure would not be meaningful.

**(d) Compensation of key management personnel**

The short term benefits paid or payable by the Group to directors of the Company and other members of key management during the period is approximately RMB1,050,000 (2007: RMB460,000).

**VIII. DOCUMENTS AVAILABLE FOR INSPECTION**

- 1.1. Original copy of the interim report signed by the Chairman;
- 2.2. The financial statements signed and under seal by the Legal Representative, the General Manager and the Chief Accountant;
- 3.3. Original copies of all documents and announcements publicly disclosed during the reporting period in "Shanghai Securities", the websites of Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited;
- 4.4. The Articles of Association of the Company;
- 5.5. The above documents are available for inspection at Secretary's Office of the Board of Directors of the Company, whose address is No. 6 Rong Chang Kong Street, Beijing Economic and Technological Development Zone, Beijing, the PRC.

**Wang Guohua**  
*Chairman*

**Beiren Printing Machinery Holdings Limited**

11 August 2008

