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**北人印刷機械股份有限公司**

**BEIREN PRINTING MACHINERY HOLDINGS LIMITED**

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

## **2008 ANNUAL REPORT SUMMARY**

### **1 IMPORTANT NOTES**

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

This summary is extracted from the full text of the annual report. Investors are advised to read the full text of the annual report for detailed information.

- 1.2 10 out of 11 directors eligible to participate in the meeting attended the meeting in person. Independent Non-executive Director Mr. Xie Bingguang was absent from the meeting due to business engagement and had appointed Independent Non-executive Director Mr. Wang Deyu to attend the meeting and vote on his behalf.
- 1.3 ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited respectively issued a standard unqualified auditor’s report, in accordance with PRC accounting standards, Hong Kong Financial Reporting Standards and disclosure requirements of the Hong Kong Companies Ordinance.
- 1.4 Mr. Pang Liandong, the Chairman, Mr. Zhang Peiwu, the General Manager, and Mr. Duan Yuangang, the Chief Accountant, have declared that they guarantee the truthfulness and completeness of the financial statements contained in the annual report.

## 2 INTRODUCTION TO THE COMPANY

### 2.1 Basic information

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

### 2.2 Contact person and method

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

### 3 SUMMARY OF ACCOUNTING AND OPERATIONAL DATA

#### 3.1 Major Accounting Figures

	<i>Unit: Rmb</i>			
	2008	2007	Increase/ decrease in 2008 as compared with 2007 (%)	2006
Income from principal operations	<u>759,050,785.96</u>	<u>1,071,509,754.56</u>	-29.16	<u>978,316,596.33</u>
Total profit	<u><b>-288,406,836.49</b></u>	<u>10,243,036.16</u>	-2,915.64	<u>-103,038,226.07</u>
Net profit attributable to shareholders of listed company	<u><b>-263,141,611.27</b></u>	<u>9,278,498.87</u>	-2,936.04	<u>-103,129,983.00</u>
Net profit attributable to shareholders of listed company after extraordinary items	<u><b>-269,010,827.39</b></u>	<u>-5,342,489.03</u>	-4,935.31	<u>-103,106,001.01</u>
Net cash flow from operating activities	<u><b>12,237,975.94</b></u>	<u>24,301,793.67</u>	-49.64	<u>35,321,461.11</u>
	End of 2008	End of 2007	Increase/ decrease in 2008 as compared with the end of 2007 (%)	End of 2006
Total asset	<u><b>1,959,518,162.60</b></u>	<u>2,216,816,579.29</u>	-11.61	<u>2,135,853,138.75</u>
Equity interest of owners (or shareholders' equity)	<u><b>896,867,102.34</b></u>	<u>1,161,039,825.84</u>	-22.75	<u>1,150,879,765.66</u>

### 3.2 Major Financial Indicators

			<i>Unit: Rmb</i>	
	<b>2008</b>	2007	Increase/ decrease in 2008 as compared with 2007 (%)	2006
Basic earnings per share (Rmb/share)	<b>-0.62</b>	0.02	-3,200	-0.24
Diluted earnings per share (Rmb/share)	<b>-0.62</b>	0.02	-3,200	-0.24
Basic earnings per share after extraordinary items (Rmb/share)	<b>-0.64</b>	-0.01	-6,300	-0.24
Returns on net assets on fully diluted basis (%)	<b>-29.34</b>	0.80	Decreased by 30.14 percentage points	-8.96
Returns on net assets on weighted average basis (%)	<b>-25.56</b>	0.80	Decreased by 26.36 percentage points	-8.39
Return on net assets on fully diluted basis after extraordinary items (%)	<b>-29.99</b>	-0.46	Decreased by 29.53 percentage points	-8.96
Return on net assets on weighted average basis after extraordinary items (%)	<b>-26.13</b>	-0.46	Decreased by 25.67 percentage points	-8.38
Net cash flow per share from operating activities (Rmb/share)	<b>0.029</b>	0.058	-50.00	0.084
	<b>End of 2008</b>	End of 2007	Increase/ decrease in 2008 as compared with the end of 2007 (%)	End of 2006
Net asset per share attributable to shareholders of listed company (Rmb/share)	<b>2.13</b>	2.75	-22.55	2.73

Extraordinary items

✓ Applicable      ☐ Not Applicable

	<i>Unit: Rmb</i>
Items	Amount
Profit (loss) from disposal of non-current assets	3,236,657.48
Government subsidy accounted into profit and loss for the current period, other than those closely associated with the operations of the Company which were accounted for in fixed amount or volume in compliance with the requirements of the policies of the State and in accordance with uniform standard of the state	630,980.63
Other non-operating income or expenses	2,080,584.16
Other profit and loss items qualified as extraordinary items	-79,006.15
Minority interests	404,215.54
Total	6,273,431.66

### 3.3 DIFFERENCES BETWEEN THE PRC ACCOUNTING STANDARDS AND HONG KONG FINANCIAL REPORTING STANDARDS

✓ Applicable      ☐ Not Applicable

Items	Net assets		Net profit	
	Current year	Previous year	Current year	Previous year
As reported under the Hong Kong Financial Reporting Standards	882,351	1,148,748	-265,426	5,192
1. Difference in valuation of assets contributed to the Company by Beiren Group Corporation	60,198	60,198	0.00	0.00
2. Subsequent amortisation of difference in valuation of assets contributed to the Company by Beiren Group Corporation	-48,409	-48,343	-66	-66
3. Difference in valuation of assets contributed to subsidiaries	197	228	-31	-31
4. Difference in recognition of goodwill upon acquisition of a subsidiary	-4,479	-4,479	0.00	0.00
5. Difference in amortisation of goodwill upon acquisition of a subsidiary	4,479	1,344	3,135	0.00
6. Difference in recognition of deferred tax	0.00	-1,622	1,622	0.00
7. Difference in recognition of transfer of impairment of assets	0.00	1,730	-1,730	1,730
8. Others	2,530	3,236	-646	2,453
Prepared under Accounting Standards for Business Enterprises	<u>896,867</u>	<u>1,161,040</u>	<u>-263,142</u>	<u>9,278</u>

During the year, the financial impact of differences between the PRC and Hong Kong Financial Reporting Standards on the net profit of the Company was RMB2,284,000. The main differences are as follows:

- (1) Adjustment in valuation of assets contributed by Beiren Group Corporation: In accordance with Hong Kong Financial Reporting Standards, 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 RMB66,000 for the year was written back in the accounts by the Company.

- (2) Difference in valuation of assets contributed to subsidiaries: In accordance with Hong Kong Financial Reporting Standards, 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 RMB31,000 for the year was written back in the accounts by the Company.
- (3) In December 2001, the Company consolidated Shaanxi Beiren Printing Machinery Company Limited by purchasing. The purchase cost exceeded the fair value of the recognizable net assets RMB 3,135, and the exceeded amount was recognized as Goodwill under Hong Kong Financial Reporting Standards. In the current year, in accordance with the financial budget for the forecoming 5 years made by Shaanxi Beiren Printing Machinery Company Limited the Goodwill arose from the consolidation was withdrawn for the impairment provision fully. Under the Accounting Standards for Business Enterprises, the accounting treatments mentioned above were not performed yet.
- (4) Before 1 January 2007, the Company recognized the deferred tax assets of RMB 1,662,000 under Hong Kong Financial Reporting Standards. After 1 January 2007, the Company adopted Accounting Standards for Business Enterprises, and stopped recognizing deferred tax assets with considering that the forecoming profits would not be enough to offset the accumulated losses. The Company has a larger net loss for the current year; therefore, all the deferred tax assets recognized in the previous years were reversed fully in accordance with Hong Kong Financial Reporting Standards.

## 4 MOVEMENT OF SHAREHOLDER'S EQUITY AND INFORMATION OF SHAREHOLDERS

### 4.1 CHANGES IN SHARE CAPITAL

☒ Applicable      ☐ Not Applicable

		Before change		Increase/decrease in this change (+/-)				Unit: Share	
		Number	Percentage (%)	Issue of new shares	Conversion		Sub-total	After change	
					Bonus issue	from reserves		Others	Number
I.	Shares subject to trading moratorium								
1.	State-owned shares								
2.	State-owned legal person shares	201,540,000	47.76			-21,100,000	-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 shares subject to trading moratorium	201,540,000	47.76			-21,100,000	-21,100,000	180,440,000	42.76
II.	Circulating shares not subject to trading moratorium								
1.	Renminbi ordinary shares	120,460,000	28.55			21,100,000	21,100,000	141,560,000	33.55
2.	Foreign shares listed domestically								
3.	Foreign shares listed overseas	100,000,000	23.69			0	0	100,000,000	23.69
4.	Others								
	Total shares not subject to trading moratorium	220,460,000	52.24			21,100,000	21,100,000	241,560,000	57.24
III.	Total shares	422,000,000	100			0	0	422,000,000	100



## 4.2 Number of shareholders and their shareholding

*Unit: Share*

Total number of shareholders at the end of the reporting period: 31,228 (including: 31,132 A share holders and 96 H share holders)

### *Particulars of top ten shareholders*

Name of shareholders	Nature of shareholder	Percentage to 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-own legal person	52.76	222,640,000	0	180,440,000	Nil
HKSCC NOMINEES LIMITED	unknown	23.40	98,747,199	-294,000	0	unknown
李德偉	unknown	0.5	2,118,500	2,118,500	0	unknown
伍志強	unknown	0.19	820,000	820,000	0	unknown
蘇國榮	unknown	0.19	785,000	118,140	0	unknown
北廣電子	unknown	0.17	722,100	722,100	0	unknown
廖敬秋	unknown	0.15	647,400	647,400	0	unknown
江少珠	unknown	0.09	392,300	392,300	0	unknown
梁健恩	unknown	0.09	363,200	363,200	0	unknown
章涵紅	unknown	0.08	351,900	351,900	0	unknown

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

Name of shareholders	Number of not subject shares to trading moratorium	Class of shares
HKSCC NOMINEES LIMITED	98,747,199	Foreign shares listed overseas
Beiren Group Corporation	42,200,000	Renminbi ordinary shares
李德偉	2,118,500	Renminbi ordinary shares
伍志強	820,000	Renminbi ordinary shares
蘇國榮	785,000	Renminbi ordinary shares
北廣電子	722,100	Renminbi ordinary shares
廖敬秋	647,400	Renminbi ordinary shares
江少珠	392,300	Renminbi ordinary shares
梁健恩	363,200	Renminbi ordinary shares
章涵紅	351,900	Renminbi ordinary shares

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

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

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

Explanations:

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

(5) Save as disclosed above, as far as the Directors are aware, none of the persons (not being a Director or chief executive of the Company) has any interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (“SFO”) or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

(6) Purchase, sale or redemption of the Company’s listed securities

During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares.

(7) Pre-emptive rights

There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.

(8) Convertibles, options, warrants or other similar rights

As of 31 December 2008, the Company did not issue any convertible securities, options, warrants or any other similar right.

### 4.3 Controlling shareholder and beneficial controller

#### 4.3.1 Changes in status of controlling shareholder and beneficial controller

☐ Applicable      ☒ Not Applicable

#### 4.3.2 Information of controlling shareholder and beneficial controller

##### (1) Status of the legal person controlling shareholder

*Unit: RMB0'000*

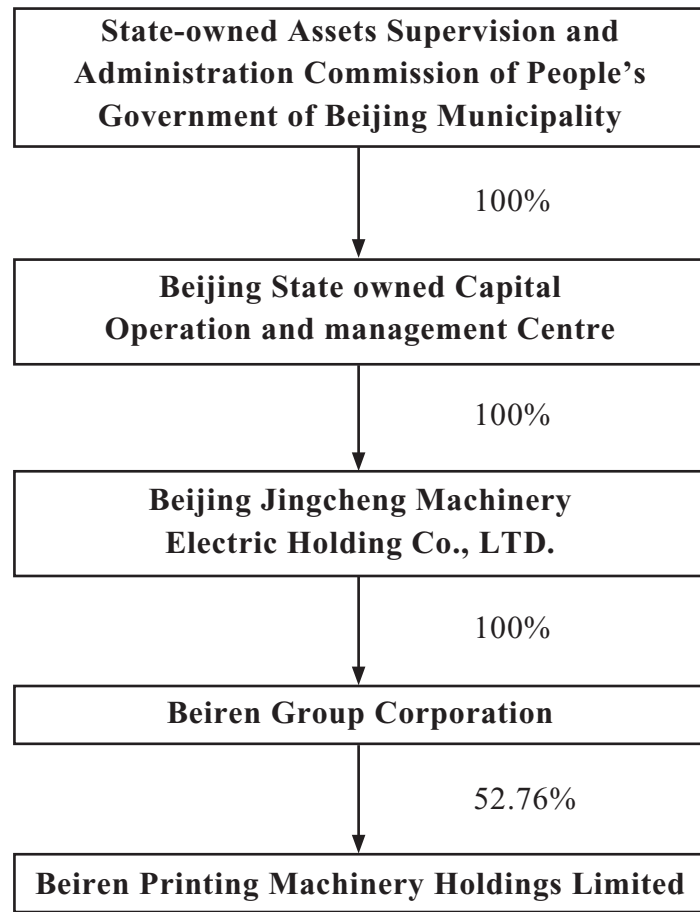
Name	Legal representative	Registered capital	Date of incorporation	Principle activities	Registered address
Beiren Group Corporation	Deng Gang	20,026.6	16 July 1992	Manufacturing and sale of printing presses, packing machines, pressing machines and related products and components, technical development, technical consultancy, services, operation of the import and export businesses related to the production of own enterprises, subcontracting work for overseas printing machinery projects and domestic projects by international tendering.	No. 44 Guangqu Road South, Chaoyang District, Beijing

##### (2) Status of legal beneficial controller

*Unit: RMB0'000*

Name	Legal representative	Registered capital	Date of incorporation	Principle activities	Registered address
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Li Jisheng	135,901.5	8 September 1997	State-own assets operation and management within the scope of authorization; operation of title (ownership); external financing and investment.	No. 59 Dongsanhuan Road Central, Chaoyang District, Beijing

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



## 5 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Unit: share

Name	Position	Sex	Age	Appointment date	End date of appointment	Shareholdings		Increase/decrease	Reason of change	Remuneration before tax received from the Company during the reporting period (Rmb0'000)	Whether receiving any remuneration or allowance from shareholder entities or other associated entities
						at the beginning of the year	at the end of the year				
Pang Liandong	Chairman	Male	59	2009-01-08	2011-07-13	0	0	0		0	Yes
Deng Gang	Vice Chairman	Male	43	2008-07-14	2011-07-13	0	0	0		0	Yes
Bai Fan	Director	Male	39	2008-07-14	2011-07-13	0	0	0		0	Yes
Zhang Peiwu	Director and General Manager	Male	45	2008-07-14	2011-07-13	0	0	0		32.3	No
Yu Baogui	Director	Male	59	2008-07-14	2011-07-13	5,796	5,796	0		0	Yes
Yang Zhendong	Deputy General Manager	Male	46	2008-07-14	2011-07-13	0	0	0		23.6	No
Duan Yuangang	Director and Chief Accountant	Male	34	2009-01-08	2011-07-13	0	0	0		4.15 (Sep-Dec 08)	No
Xu Wencai	Independent Non-executive Director	Male	51	2008-07-14	2011-07-13	0	0	0		0	No
Wang Hui	Independent Non-executive Director	Female	47	2008-07-14	2011-07-13	0	0	0		0	No
Xie Bingguang	Independent Non-executive Director	Male	53	2008-07-14	2011-07-13	0	0	0		0	No
Wang Deyu	Independent Non-executive Director	Male	34	2008-07-14	2011-07-13	0	0	0		0	No
Xiao Maolin	Chairman of the Supervisory Committee	Male	59	2008-07-14	2011-07-13	0	0	0		0	Yes
Guo Xuan	Supervisor	Male	38	2008-07-14	2011-07-13	0	0	0		7.47	No
Shao Zhenjiang	Supervisor	Male	35	2008-07-14	2011-07-13	0	0	0		8.9	No
Jiao Ruifang	Secretary to the Board of Directors	Female	31	2008-07-14	2011-07-13	0	0	0		22.4	No
Kong Dagang	Deputy General Manager	Male	50	2008-07-14	2011-07-13	0	0	0		23	No
Liu Jing	Deputy General Manager	Male	52	2008-07-14	2011-07-13	0	0	0		23	No
Total	/	/	/	/	/	5,796	5,796	0	/	144.82	/

Name	Position	Sex	Age	Appointment date	End date of appointment	Shareholdings		Increase/decrease	Reason of change	Remuneration	Whether receiving any
						beginning of the year	at the end of the year			before tax	remuneration
										received from the Company	or allowance from shareholder entities or other associated entities
										during the reporting period (Rmb0'000)	
Wang Guohua	Chairman	Male	45	2008-07-14	2008-11-20	1,656	1,656	0		0	Yes
Lu Chang'an	Vice Chairman	Male	60	2005-07-14	2008-07-13	6,624	6,624	0		0	Yes
Jiang Jianming	Director and Chief Accountant	Male	53	2008-07-14	2009-10-14	0	0	0		20.85 (Jan-Oct 08)	No
Wu Wenxiang	Independent Non-executive Director	Male	74	2005-07-14	2008-07-13	0	0	0		3	No
Wu Hongcho	Independent Non-executive Director	Male	62	2005-07-14	2008-07-13	0	0	0		5	No
Li Yijing	Independent Non-executive Director	Female	57	2005-07-14	2008-07-13	0	0	0		3	No
Shi Tiantao	Independent Non-executive Director	Male	46	2005-07-14	2008-07-13	0	0	0		3	No
Xue Kexin	Supervisor	Male	43	2005-07-14	2008-07-13	0	0	0		3.49 (Jan-Jul 08)	No
Tian Furen	Supervisor	Male	60	2005-07-14	2008-07-13	4,258	4,258	0		2.39 (Jan-Jul 08)	No

#### Explanations:

- (1) None of the directors, supervisors and senior management had been granted equity interest as an incentive by the Company during the reporting period.
- (2) Save as disclosed above, none of the directors, supervisors and senior management or any of their associates, as at 31 December 2008, had any interest in the shares of the Company or its associated corporations (as defined in the SFO). None of the directors and supervisors or their spouse or children under the age of 18 was granted any right to acquire securities of the Company or had exercised any such right.
- (3) As at the balance sheet date or at any time during the year, none of the directors and supervisors of the Company was directly or indirectly interested in any material contract of the Company other than the service contracts mentioned below.
- (4) Save as those set out in the register required to be maintained by directors and supervisors under the SFO of Hong Kong, during the year, the Company did not engage in any arrangement which would enable the directors or supervisors of the Company or any other corporation 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 the SFO.

- (5) Save as disclosed above, none of the directors, supervisors and senior management of the Company, as at 31 December 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 would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO or any interest or short positions which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO.
- (6) Save as disclosed above, none of any other directors, supervisors and senior management of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or had exercised any such right as at 31 December 2008.

## **5.2 Service contracts of directors and supervisors**

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

- (1) Each contract for the directors of the Sixth Board of Directors and supervisors of the Sixth Supervisory Committee is for a term commencing from 14 July 2008 to 13 July 2011.
- (2) The basic salary of executive directors of the Sixth Board who hold senior management positions in the Company will range from Rmb150,000 to Rmb200,000 for the first year of their tenure. The basic salary for the second and third year of their tenure will be adjusted based on the performance of the Company, where the maximum will not exceed 120% of the basic salary of the previous year and the minimum will not be less 90% of the basic salary of the first year of tenure. The amount of their year-end bonus will be determined at the sole discretion of the Board, based on the execution of Performance Contract entered into between the senior management and the Board each year. The annual fee of independent non-executive directors is Rmb40,000. The annual fee of non-executive directors does not exceed Rmb40,000. The annual fee of supervisors of the Company does not exceed Rmb40,000.
- (3) The directors of the Company perform their duties in an honest, trustworthy and diligent manner, and to the best interests of the Company and all shareholders. The supervisors of the Company execute their duties as supervisors with due diligence and strictly perform their obligations and exercise their power.



### 5.3 Changes in 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 Managers 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 respective 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.

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.

On 14 October 2008, Mr. Jiang Jianming resigned as Director and Chief Accountant of the Company due to job transfer.

On 20 November 2008, Mr. Wang Guohua resigned as Director and Chairman of the Company due to his busy working schedule.

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

On 8 January 2009, Mr. Pang Liandong and Mr. Duan Yuangang were added as Directors of the Sixth Board of Directors at the first Extraordinary General Meeting of 2009. On 21 October 2008, the appointment of Mr. Duan Yuangang as Chief Accountant of the Company was considered and passed at the fourth meeting of the Sixth Board of Directors. On 8 January 2009, the election of Mr. Pang Liandong as Chairman of the Sixth Board of Directors was considered and passed at the seventh meeting of the Sixth Board of Directors, with a term of office commencing from 8 January 2009 to 13 July 2011.

## **6 REPORT OF THE DIRECTORS**

### **(I) Review**

Under a series of impacts of inflation in the cost of raw materials, rise in labour cost, appreciation in Renminbi, increase in interest rate and the global economic recession as a result of the US subprime mortgage crisis in 2008, downstream printing enterprises were burdened heavily that the pace for equipment upgrade declined drastically and the printing machinery market tightened significantly. Amongst the major customers of the Company, the small printing companies were affected by factors including difficult credit condition, hindered export and cost rising, and many of which had to solve the crisis by discontinuing business or even closing down the company. As a result, operating income of the Company decreased by 29.16% as compared to 2007, causing insufficient workload and rise in cost per hour. In addition to factors including inflation in the cost of raw materials as well as provision for impairments, the Company recorded a loss in profit. During the reporting period, operating income prepared in accordance with the PRC Accounting Standards was Rmb759,050,800 and net loss was Rmb263,141,600. Operating income prepared in accordance with Hong Kong Financial Reporting Standards was Rmb739,161,000 and net loss was Rmb265,426,000.

#### *1. Launching evaluation on “11-5” strategies for perfecting the “11-5” strategic plan continuously*

During the reporting period, the Company conducted an evaluation on “11-5” strategies on external environment, internal capacity, business combination, mode of management and control, organisational structure based on value chain as the subject. Analysis and study were conducted on the impact of items including simplification of workflow of multi-colour machinery, ERP and key businesses, optimisation of purchase and external coordination supplier, quality management system and designation of positions and responsibilities on the overall operation of the Company so as to confirm the reform proposal and implement it step by step.

#### *2. Bringing corporate governance and management and control system up to the regulated scientific management level for achieving the effect of corporate synergy*

During the reporting period, the promotion, implementation and training meeting on corporate governance and parent company’s control over subsidiaries was convened. Management and control of subsidiaries were strengthened in terms of the six aspects

including strategies, investment, human resources, finance, audit and information. Special audit work were conducted one by one at all subsidiaries at the end of the year. The operation and management practice of subsidiaries were regulated as a whole which prevented operation risks and enhanced the level of management of the parent company over subsidiaries.

3. *Adhering to budget management for enhancing capital utilisation rate of the Company*

During the reporting period, the Company adjusted its production plans, tightened its investment and strengthened budget management in a timely manner in accordance with market demands to guarantee the normal turnover of capital of the enterprise.

4. *Strengthening production management and adhering to technological advancement for laying proper foundation for further development of the Company*

During the reporting period, the Company actively sought breakthroughs in the web-fed offset printing machinery market. Support in respect of technology, production and capital was given to web-fed offset press branches and technological improvements were made to BEIREN75A revolving presses with strengthened production management which further enhanced technique, quality and production efficiency of products.

5. *Committed to building a community with social responsibility*

During the reporting period, a mega earthquake took place in Wenchuan, Sichuan. The Company organised earthquake relief and rescue teams at once to carry out repair and check up for users whose equipments were damaged in the disaster so as to help them resume production. As the printing machines developed by Beiren for filling the technological gap in the PRC, the Company's web-fed offset printing machine BEIREN75A was adopted by newspaper agencies including China Sports, Qingdao Daily and Jiangxi Daily, which became the main equipment for news reporting on the Beijing Olympics.

## **(II) Prospect**

1. *Industry overview*

- (1) On the macroeconomic front: The global economic crisis is further worsening. Various economic indicators in a number of countries including the US, the United Kingdoms, France and Germany were at historical low. A series of economic rescue initiatives were taken to address to economic recession. The State will implement policies including expansion of investment scale of the central government, interest rate cut, transformation of value-added tax, reduction in administrative charges and increasing residents' income in the series of policies on expanding domestic needs to be issued in 2009 to stimulate economic development. The series of policies is favourable to stimulating demands in printed materials and will further alleviate the burden of

enterprises. However, relatively large pressure still exists in the improvements in demands in the printing machinery market which requires time to process the situation.

- (2) Press and printing machinery industry: In 2009, value-added tax transformation reform will be launched around the state. The government will enlarge support on loans for small and medium enterprises (most printing enterprises are small and medium enterprises). Rate of tax refund for export printed materials and printing equipments will also increase. Stimulations from these policies will suppress the worsening trend of the market in 2009. Nevertheless, slowdown in the growth of press and printing machinery industry will continue for a certain period of time.

## 2. *Key work of the Company in 2009*

- (1) Launching amendment work on strategies for ensuring strategic goals will meet the market demands

Given the certain changes in external environment in 2008 and together with the operation status of the Company, the Company will revise the strategic plans in 2009 and set operation objectives and strategic measures which meet the actual state of the market in a reasonable manner, so as to ensure the guiding effect on various work of the Company.

- (2) Perfecting the organisational structure of the Company

Adjustments will be made on existing organisational structure and an organisational structure with high performance in operation and in line with business workflow will be established so as to perfect the setup of organisation establishment and management system of the Company gradually and enhance operation efficiency of organisations.

- (3) Strengthening regulation on internal control management of the Company for perfecting corporate governance

Management and control on corporate governance and parent company's control over subsidiaries will be promoted to achieve the effect of corporate synergy. Workflow of key business will be re-simplified according to the requirements of corporate development strategies. Meanwhile, in accordance with the requirements of Basic Criteria and Regulations on Corporate Internal Control issued by the five departments including the Ministry of Finance, CSRC, Audit Office, CBRC and CIRC, a complete internal control system will be set up for regulating internal control management before 1 July, such that the internal control management requirement would reach scientific management level.

(4) Taking various measures actively to cope with economic recession

① In respect of sales: Marketing and sales tasks including market research and analysis, key customers development, maintenance and management as well as building up of after sales services system will be carried out properly ② In respect of finance: A complete system of allocation and management of staff of financial organisation of the Company and branches will be established. Management on cost and expenses will be strengthened while a complete audit system will be set up. Supervision and management on the finance of the Company will be strengthened and a comprehensive budget management will be implemented. ③ In respect of technology: A new development mechanism will be established on the development of new products and improvement of old products and technological sources will be obtained from a variety of channels so as to secure the market through technological advancement. ④ In respect of management: Fundamental management including production management, quality management and supply chain management will continue to be strengthened to further enhance the level of comprehensive management of the Company.

(5) The estimated operating income of the Company for the year 2009 will be Rmb782,450,000. In 2009, the Company will carry out 9 technological reform projects, with an investment budget of Rmb1,484,000. Eight projects were carried forward from 2008, with an investment of Rmb574,200. The projects are mainly for the purpose of equipment upgrade and reconstruction so as to enhance production efficiency and processing level. The funds of the Company are from self-owned funds and bank borrowings which can meet the needs of capital expenditure and daily operation.

## 6.1 Principal businesses by business sector and products

*Unit: Rmb*

Sector of Product	Operating income	Operating costs	Operating profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating costs over last year (%)	Increase/decrease in operating profit margin over last year (%)
Offset press series	438,356,363.12	374,172,896.98	-37.88	-43.63	-38.68	Decreased by 38.89 percentage points
Intrusion printers series	206,252,498.91	185,703,111.91	-28.24	10.16	35.33	Decreased by 27.50 percentage points
Form presses series	43,715,971.81	38,690,163.02	-41.72	2.57	15.89	Decreased by 42.85 percentage points
Total	688,324,833.84	598,566,171.91	-35.24	-31.68	-23.34	Decreased by 35.93 percentage points

## 6.2 Principal businesses by geographical locations

Geographical location	Operating income	Unit: Rmb
		Increase/decrease in operating income compared over last year (%)
Domestic	617,827,746.57	-35.10
Overseas	70,497,087.27	26.95
Total	688,324,833.84	-31.68

## 6.3 Operation and business performance of major holding subsidiaries

Company name	Nature of business	Main product or service	Registered capital	Unit: Rmb	
				Asset size	Net profit
Beijing Beiren Fuji Printing Machinery Company Limited	Manufacture of printing presses	Form presses	42,328,060.26	95,542,277.11	-14,152,415.92
Haimen Beiren Fuji Printing Machinery Company Limited	Manufacture of printing presses machine	Quarto printing	51,000,000.00	65,507,632.93	-5,944,484.61
Hebei Beiren Paper Feeder Company Limited	Parts for printing presses	Paper-feeding machine	5,000,000.00	9,584,782.31	-2,691,994.77
Beijing Beiren Jingyan Printing Machinery Factory	Parts for printing presses	Paper-feeding machine	21,050,000.00	25,942,960.15	-936,915.39
Beijing Beiren Yuxin Offset Printing Company Limited	Printing	Printing and packaging	22,430,000.00	50,396,017.18	-19,538,134.15
Shaanxi Beiren Printing Machinery Company Limited	Manufacture of printing presses	Intaglio presses	115,000,000.00	305,946,384.04	-55,896,522.23

## 6.4 Information on major supplier and customer

Unit: Rmb0'000			
Total procurement from the top five suppliers	5,845.86	Percentage accounting for total procurement	18.64%
Total sales from the top five customers	9,070.17	Percentage accounting for total sales	12.23%

## 6.5 Use of capital raised

☐ Applicable      ☒ Not Applicable

### *Change of Projects*

☐ Applicable      ☒ Not Applicable

## 6.6 Projects financed by non-raised funds

☐ Applicable      ☒ Not Applicable

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

☐ Applicable      ☒ Not Applicable

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

According to the PRC accounting standards, the Company realized a net profit of Rmb-263,141,600 during the reporting period; the net undistributed profit was Rmb-247,081,500 at the end of the year. According to Hong Kong Financial Reporting Standards, the Company realized a net profit of Rmb-265,426,000 during the reporting period. Due to the loss recorded during the reporting period, the Company did not recommend to distribute profit or to transfer capital reserve to share capital for 2008 as the profit to be distributed to shareholders would be small.

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

☐ Applicable      ☒ Not Applicable

## 6.9 Analysis of Financial Status and Business Performance During The Reporting Period (prepared under PRC accounting standards)

### *1. Operating results*

In 2008, total profit of the Company decreased by Rmb298,649,900 or 2,915.64% as compared with the same period last year.

- (1) Operating income decreased by 29.16% while operating cost decreased by 16.89% as compared with last year. Gross profit margin for the year was 9.70% while gross profit margin for last year was 23.03%. The decrease in gross profit margin was due to 1) the impact of decline in the printing industry and the downturn in macroeconomy, leading to drastic decrease in demand for the year that, in the short term, selling price was unable to move and even exhibited a downward trend; 2) the inflation in the cost of



production material and increase in labour cost, outsourcing processing fees and energy cost; 3) the drop in production volume so that amortisation of fixed cost was relatively high.

- (2) Business tax and surcharge decreased by 49.7% over last year mainly due to decrease in operating income; expenditure for the period increased by 16.44% over last year mainly due to impacts of increase in dismissal benefits as well as upward adjustment in the interest rate of bank loans during the year; loss in impairment of assets increased by 533.73% over last year mainly due to bad debts provision and provision for diminution in value of inventory; investment revenue decreased by 76.61% over last year mainly due to the impact of operating loss of associated companies.
- (3) Net non-operating income decreased by 51.24% over last year, mainly attributable to the decrease in government grants and deferred income.

## 2. *Analysis of assets, liabilities and equity interests*

Total assets value amounted to Rmb1,959,518,200 during the reporting period, decreased by 11.61% as compared with the beginning of the year, of which inventory, accounts receivable, bills receivable, prepayments decreased substantially. Total liabilities amounted to Rmb1,036,691,600, increased by 2.63% as compared with the beginning of the year, mainly due to increase in dismissal benefits and prepayments of wages payable. Total equity interest attributable to shareholders amounted to Rmb922,826,600, decreased by 23.52% as compared with the beginning of the year.

## 3. *Financial position analysis*

Under its prudent financial policies, the Company established a strict risk control system for investment, financing and cash management to maintain a moderate capital structure and solid finance sources. The Company has kept its finance size under strict control to satisfy the need of the Company to finance for operating activities while minimize its financial costs and prevent financial risks in a timely manner by utilizing financial instruments, so as to achieve a sustainable development of the Company and maximize its shareholders' value.

### Liquidity and capital structure

	2008	2007
(1) Assets-liabilities ratio	<b>52.91%</b>	45.57%
(2) Quick ratio	<b>44.32%</b>	64.33%
(3) Liquidity ratio	<b>110.15%</b>	134.31%

## 4. *Bank loans*

The Company implemented its annual capital budget plan with due diligence and arranged bank factoring of accounts receivable and bills discounting business in accordance with



the market conditions and requirement of customers to control the bank loan scale strictly. The Company utilized fully financial tools to reduce finance costs timely and defend against financial risks, by which the Company improved the profit of the Company and shareholders while satisfying the capital need of operating activities. As at the end of the reporting period, the Company had short-term loan of Rmb360,692,800 (including bank factoring of accounts receivable), decreased by 1.2% as compared with the beginning of the year. Long-term loan was Rmb27,000,000, decreased by 6.9% as compared with the beginning of the year.

#### *5. Exchange Risk Management*

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

### **6.10 Principal Sources of Fund and Its Use**

#### *1. Cash flows from operating activities*

The Company's cash inflows are mainly derived from revenue of goods selling. Cash outflow was mainly related to production and operating activities. The Company's cash inflow from operating activities for the reporting period amounted to Rmb840,122,600, while cash outflow amounted to Rmb827,884,600. Net cash flow during the reporting period from operating activities amounted to Rmb12,238,000.

#### *2. Cash flows from investment activities*

Cash inflow from investment activities during the reporting period amounted to Rmb5,489,400, which was mainly attributable to the disposal of fixed assets and recovery of other long-term assets. Cash outflow to investment activities amounted to Rmb9,805,000, which was mainly used for capital expense on purchase and construction of fixed assets. The above expenditures were mainly financed by the Company's internal resources. Net cash flow from investment activities for the reporting period amounted to Rmb-4,315,600.

#### *3. Cash flows from fund-raising activities*

Cash inflow from fund-raising activities during the reporting period amounted to Rmb405,950,000, which was mainly derived from bank loans and bank factoring of accounts receivable. Cash outflow from fund-raising activities during the reporting period amounted to Rmb445,514,800 was mainly for repayment of bank loans and interest. Net cash flow from fund-raising activities for the reporting period amounted to Rmb-39,564,800.

## 6.11 Capital Structure

The Company's capital structure consists of interests and liabilities attributable to shareholders during the reporting period. Interests attributable to shareholders amounted to Rmb922,826,600; of which, minority interests amounted to Rmb25,959,500; and total liabilities amounted to Rmb1,036,691,600. Total assets amounted to Rmb1,959,518,200. As at the end of the year, the Company's gearing ratio was 52.91%.

Capital structure by liquidity:

Total current liabilities	Rmb1,001,781,800	Accounting for 51.12% of the assets
Total equity interest	Rmb922,826,600	Accounting for 47.09% of the assets
of which: minorities interest	Rmb25,959,500	Accounting for 1.32% of the assets

## 6.12 Contingent Liability

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

## 6.13 Analysis Of The Reasons For Major Changes In Overall Financial Position Compared With Last Year (Prepared According To PRC Accounting Standards)

- (1) Cash and cash balances decreased by 31.01% compared with the beginning of the year, mainly due to the decrease in operating income.
- (2) Bills receivable decreased by 78.8% compared with the beginning of the year, mainly due to bill discount or transfer by the Company at the end of the year.
- (3) Accounts receivable decreased by 28.28% compared with the beginning of the year, mainly due to the decrease in operating income and the increase in efforts in the collection of debts by the Company.
- (4) Inventories decreased by 3.49% compared with the beginning of the year, mainly due to insufficient estimation of the market trends at the beginning of the year; inventories did not decrease substantially as at the end of the period due to normal practice of production and manufacturing despite the deceleration of production progress in the middle of the year. The decrease in production volume has increased the unit production cost of products accordingly.
- (5) Long-term equity investment decreased by 40.15% compared with the beginning of the year, mainly due to the operating loss of associated companies.

- (6) Accounts payable increased by 17.59% compared with the beginning of the year, mainly due to extension of payment term of the Company.
- (7) Tax payable increased by 41.1% compared with the beginning of the year, mainly due to the increase in outstanding account of tax payable.
- (8) Undistributed profit decreased by 1,638.48% compared with the beginning of the year, mainly due to loss during the year.
- (9) Operating income decreased by 29.16% compared with the beginning of the year. Operating cost decreased by 16.89% compared with the beginning of the year. Gross profit margin for the year was 9.70% while gross profit margin for last year was 23.03%. The decrease in gross profit margin was due to 1) the impact of decline in the printing industry and the downturn in macroeconomy, leading to drastic decrease in demand for the year; 2) the inflation in the cost of production material and increase in labour cost, outsourcing processing fees and energy cost; 3) the drop in production volume so that amortisation of fixed cost was relatively high.
- (10) Expenditure for the period increased by 16.44% compared with the beginning of the year, mainly due to the increase in dismissal benefits and upward adjustment in the interest rate of bank loans for the year.
- (11) Impairment loss on assets increased by 533.73% compared with the same period of last year, mainly due to bad debts provision and provision for diminution in value of inventory;
- (12) Investment revenue decreased by 76.61% compared with the same period of last year, mainly due to the impact of operating loss of associated companies.
- (13) Net non-operating income decreased by 51.24% compared with the same period of last year, mainly due to the decrease in government subsidies and deferred income.

## **7 MAJOR EVENTS**

### **7.1 Acquisition of assets**

☐ Applicable      ☒ Not Applicable

### **7.2 Disposal of assets**

☐ Applicable      ☒ Not Applicable

### **7.3 Material guarantees**

☒ Applicable      ☐ Not Applicable

Guaranteed Parties	External guarantees by the Company (excluding guarantees for subsidiaries)						Guarantee for connected parties or not
	Incurring date (the signature date of the agreement)	Guaranteed amount	Type of guarantee	Term of guarantee	Completion or not		
—	—	—	—	—	—		—
Total amount of guarantee during the reporting period							—
Total balance of guarantee at the end of the reporting period							—
Guarantees for subsidiaries by the Company							
Total amount of guarantee for subsidiaries during the reporting period							1,550
Total balance of guarantee for subsidiaries at the end of the reporting period							1,550
Total amount of guarantee by the Company (including guarantee for subsidiaries)							
Total amount of guarantee							1,550
Percentage of total amount of guarantee over net assets of the Company							1.7%
Including:							
Amount of guarantees provided for shareholders, beneficial controllers and their connected parties							—
The amount of debt guarantee provided, either directly or indirectly, for guaranteed parties whose gear ratio is larger than 70%							—
Amount of total guarantee beyond 50% of net assets							—
Total amount of the above three guarantees							1,550

## 7.4 Material Connected Transactions

### 7.4.1 Connected Transactions Related to Day-to-day Operation

✓ Applicable      ☐ Not Applicable

(1) Major and connected transactions related to purchase of goods and receipt of labour service

				<i>Unit: Rmb</i>
Connected transactions	Connected parties	Pricing basis	Amount of connected transaction	Percentage of amount of transaction of similar type (%)
Beiren Group Corporation	Purchase of goods	Negotiated price	821,818.89	0.15
Beijing Monigraf Automatic Systems Company Limited	Purchase of goods	Negotiated price	13,311,452.00	2.48
Beijing Beiyong Casting Company Limited	Purchase of goods	Negotiated price	14,812,496.66	2.76
Beijing Mitsubishi Heavy Industry Beiren Printing Machinery Company Limited	Purchase of goods	Negotiated price	63,898,720.15	11.92
Beiren Group Corporation	Trademark use fee	Negotiated price	3,818,973.72	100
Beiren Group Corporation	Land use fee paid	Negotiated price	850,121.48	100
Beijing Jingcheng Machinery Electric Holding Co., Ltd.	Funding for R&D of special project	Agreement	5,000,000.00	100

(2) Connected transactions related to sales of goods and provision of labour service

				<i>Unit: Rmb</i>
Connected transactions	Connected transactions	Pricing basis	Amount of connected transaction	Percentage of amount of transaction of similar type (%)
Beijing Yan Long Import and Export Co., Ltd	Sales of goods	Negotiated price	5,064,102.56	0.68
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Sales of goods	Negotiated price	8,228,143.41	1.11
Beijing Beiyong Casting Company Limited	Income from leasing assets	Negotiated price	4,407,064.68	50.83
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Co., Ltd	Income from leasing assets	Negotiated price	1,817,636.00	20.96
Beijing Monigraf Automations Co., Ltd	Income from leasing assets	Negotiated price	90,000.00	1.04
Beiren Group Corporation	Income from leasing assets	Negotiated price	930,000.00	10.73

*7.4.2 Connected debts and liabilities*

☐ Applicable      ☒ Not Applicable

*7.4.3 Appropriated fund and the recovery progress in 2008*

☐ Applicable      ☒ Not Applicable

The failure to recover non-operating appropriated funds as at the end of 2008 and the responsibility accountability plan proposed by the Board

☐ Applicable      ☒ Not Applicable

**7.5 Asset management on trust**

☐ Applicable      ☒ Not Applicable

## 7.6 Performance of Undertakings

### 7.6.1 Undertakings during the reporting period or carried on within the reporting period of the Company or shareholders holding 5% or more of the shares

☒ Applicable

☐ Not Applicable

Item	Detail	Performance
Undertakings on share reform	The sole shareholder of non-circulating shares of the Company undertakes that, 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 per share) of the weighted average price of the A-share in circulation of 30 trading days before the announcement of the Share Segregation Reform Proposal; and any dividend payment, bonus issue and capital reserve fund conversion to share capital that constituted to the suspension of trading rights and dividend from the date of implementation of the Share Segregation Reform Proposal till the disposal of shares shall be subject to the suspension of the trading rights.	During the reporting period, the sole shareholder of non-circulating shares of the Company has strictly performed the undertakings it made in the course of the share segregation reform.

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

☐ Applicable

☒ Not Applicable

## 7.7 Material litigation or arbitration

☐ Applicable      ☒ Not Applicable

## 7.8 Other material events and analysis on its impacts and solutions

### 7.8.1 Investment in securities

☐ Applicable      ☒ Not Applicable

### 7.8.2 Holding of equity interests in other listed companies

☐ Applicable      ☒ Not Applicable

### 7.8.3 Holding of equity interests in non-listed financial companies

☐ Applicable      ☒ Not Applicable

### 7.8.4 Trading of shares of other listed companies

☐ Applicable      ☒ Not Applicable

**7.9 The Board of Directors of the Company issued the self assessment report on the internal control of the Company and the auditing firm issued its auditing opinion. Please refer to the full text of the 2008 Annual Report of the Company for details.**

**7.10 The Company disclosed the report on performance of social responsibility. Please refer to the full text of the annual report for details.**

## 7.11 Other Events

### (1) Auditors

During the reporting period, the Company appointed ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited as the Company's domestic and overseas auditors for 2008 respectively. They have reviewed the attached financial statements under the PRC accounting standards and the financial report prepared under the Hong Kong Financial Reporting Standards.

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



As at 31 December 2008, ShineWing Certified Public Accountants has provided audit services for the Company for 2 years, and SHINEWING (HK) CPA Limited has provided audit services for the Company for 2 years.

- (2) During the reporting period, the Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- (3) After special enquiries made by the Board to all directors, supervisors and senior management members in accordance with the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, the Company confirms that all directors, supervisors and senior management members have complied with the code for securities transactions by directors during the reporting period.
- (4) The 2008 Annual Report of the Company has been reviewed and confirmed by the Company's Audit Committee.
- (5) During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.
- (6) As of 31 December 2008, the Company did not issue any convertible securities, options, warrants or any other similar rights.

## **8 REPORT OF THE SUPERVISORY COMMITTEE**

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

### **8.1 Independent opinion of the supervisory committee on operating in compliance with laws by the company**

The Supervisory Committee is of the view that, during the reporting period, the work of the Board of the Company strictly complied with the Company Law, Securities Law, the Listing Rules, Articles of Association of the Company and other relevant laws and regulations. The material decisions of the Company were scientific and reasonable and the procedures of decision were lawful and effective. Meanwhile, the Company has established and improved its internal management and control system. Directors and General Manager of the Company were able to carry out their duties earnestly, in strict compliance with the principle of honesty and in the best interests of the Company. There had been no violation of the laws, regulations, the Articles of Association of the Company or behavior in detrimental to the interests of the Company.

## **8.2 Independent opinion of the supervisory committee on review of the company's financial position**

The Supervisory Committee is of the opinion that the 2008 financial report objectively reflected the financial position and the operating results of the Company. The Supervisory Committee has diligently reviewed the Financial Statements and other accounting data of the Company and is of the view that the income and expenditure were clearly stated in the accounts of the Company, and that accounting and financial management had complied with the relevant requirements, and no problem was found. SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountants have audited the Financial Report of the Company for 2008 in accordance with Hong Kong Financial Reporting Standards and PRC accounting standards and issued their respective auditors' report with unqualified opinion. The Supervisory Committee considers that the auditors' report truly reflects the financial status, operating results and cash flows of the Company and that the auditors' report is fair, objective, true and reliable.

## **8.3 Independent opinion of the supervisory committee on use of the last raised proceeds by the company**

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

## **8.4 Independent opinion of the supervisory committee on acquisition and disposal of assets of the company**

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

## **8.5 Opinion of the supervisory committee on connected transactions of the company**

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

# **9 FINANCIAL REPORT**

## **9.1 Auditor's opinion**

ShineWing Certified Public Accountants had audited the Financial Report of the Company for 2008 and had issued its standard auditor's report No.XYZH/2008A4002 with unqualified opinion. SHINEWING (HK) CPA Limited had audited the Financial Report of the Company for 2008 and had issued its standard auditor's report with unqualified opinion.

**9.2 Financial report (prepared in accordance with the Hong Kong Financial Reporting Standards).**

**CONSOLIDATED INCOME STATEMENT**

*(Prepared under Hong Kong Financial Reporting Standards)*

*For the year ended 31 December 2008*

	<u>NOTES</u>	<b>2008</b> <b>RMB'000</b>	2007 RMB'000
Turnover	1	739,161	1,052,869
Cost of sales		<u>(754,576)</u>	<u>(851,560)</u>
Gross (loss) profit		(15,415)	201,309
Other operating income	3	18,057	51,059
Selling and distribution expenses		(79,915)	(72,345)
Administrative expenses		(178,710)	(148,225)
Finance costs	4	(24,110)	(19,151)
Share of results of associates		<u>(8,977)</u>	<u>(6,490)</u>
(Loss) profit before taxation		(289,070)	6,157
Taxation	5	<u>3,957</u>	<u>(870)</u>
(Loss) profit for the year	6	<u>(285,113)</u>	<u>5,287</u>
Attributable to:			
Equity holders of the Company		(265,426)	5,192
Minority interests		<u>(19,687)</u>	<u>95</u>
		<u>(285,113)</u>	<u>5,287</u>
(Loss) earnings per share	8		
Basic		<u>RMB(62.9) cents</u>	<u>RMB1.2 cents</u>

**CONSOLIDATED BALANCE SHEET***(Prepared under Hong Kong Financial Reporting Standards)**As at 31 December 2008*

	<b>2008</b> <b>RMB'000</b>	2007 RMB'000
Non-current assets		
Property, plant and equipment	<b>597,896</b>	636,272
Investment properties	<b>75,506</b>	76,701
Prepaid lease payments	<b>143,732</b>	146,187
Goodwill	–	3,135
Other intangible assets	–	283
Interests in associates	<b>14,766</b>	24,478
Deferred tax assets	<b>8,652</b>	4,590
	<b>840,552</b>	891,646
Current assets		
Inventories	<b>659,505</b>	683,335
Trade and other receivables	<b>350,432</b>	502,695
Prepaid lease payments	<b>2,894</b>	3,252
Amounts due from minority shareholders of subsidiaries	<b>20,976</b>	18,883
Tax recoverable	–	2,006
Pledged bank deposits	–	8,083
Deposits placed in financial institutions	<b>459</b>	1,526
Bank balances and cash	<b>74,325</b>	98,855
	<b>1,108,591</b>	1,318,635
Current liabilities		
Trade and bills payables	<b>411,498</b>	388,268
Other payables	<b>76,110</b>	67,713
Sales deposits received	<b>60,112</b>	79,571
Amount due to immediate holding company	<b>14,094</b>	12,366
Tax liabilities	<b>3,204</b>	–
Bank and other borrowings – due within one year	<b>258,243</b>	246,630
Loans from ultimate holding company	<b>135,000</b>	150,000
Provision for retirement obligations	<b>14,256</b>	9,581
	<b>972,517</b>	954,129

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Net current assets	<u>136,074</u>	<u>364,506</u>
Total assets less current liabilities	<u><b>976,626</b></u>	<u><b>1,256,152</b></u>
Capital and reserves		
Share capital	<b>422,000</b>	422,000
Reserves	<u><b>460,351</b></u>	<u>726,748</u>
Equity attributable to equity holders of the Company	<b>882,351</b>	1,148,748
Minority interests	<u><b>30,688</b></u>	<u>50,375</u>
Total equity	<u><b>913,039</b></u>	<u><b>1,199,123</b></u>
Non-current liabilities		
Bank and other borrowings – due after one year	<b>24,000</b>	27,000
Loans from ultimate holding company	<b>5,000</b>	–
Provision for retirement obligations	<b>31,021</b>	25,702
Deferred income	<u><b>3,566</b></u>	<u>4,327</u>
	<u><b>63,587</b></u>	<u>57,029</u>
	<u><b>976,626</b></u>	<u><b>1,256,152</b></u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Prepared under Hong Kong Financial Reporting Standards)

For the year ended 31 December 2008

	Attributable to equity holders of the Company										Minority interests	Total
	Share capital	Share premium	Exchange translation reserve	Capital reserve	Statutory surplus reserve	General reserve fund	Enterprise expansion fund	Discretionary surplus reserve	Retained profits (accumulated losses)	Sub-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	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	–	–	882	–	–	–	–	–	–	882	–	882
Profit for the year	–	–	–	–	–	–	–	–	5,192	5,192	95	5,287
Total recognised income for the year	–	–	882	–	–	–	–	–	5,192	6,074	95	6,169
Appropriations	–	–	–	–	848	–	–	–	(848)	–	–	–
At 31 December 2007	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	–	–	(971)	–	–	–	–	–	–	(971)	–	(971)
Loss for the year	–	–	–	–	–	–	–	–	(265,426)	(265,426)	(19,687)	(285,113)
Total recognised income for the year	–	–	(971)	–	–	–	–	–	(265,426)	(266,397)	(19,687)	(286,084)
At 31 December 2008	422,000	435,834	–	51,306	151,280	1,717	3,845	42,979	(226,610)	882,351	30,688	913,039

**CONSOLIDATED CASH FLOW STATEMENT***(Prepared under Hong Kong Financial Reporting Standards)**For the year ended 31 December 2008*

	<b>2008</b> <b>RMB'000</b>	2007 RMB'000
<b>OPERATING ACTIVITIES</b>		
(Loss) profit before taxation	<b>(289,070)</b>	6,157
Adjustments for:		
Depreciation of property, plant and equipment and investment properties	<b>48,956</b>	37,110
Amortisation of prepaid lease payments	<b>2,893</b>	3,252
Amortisation of other intangible assets	<b>283</b>	1,130
Gain on disposal of property, plant and equipment	<b>(5,063)</b>	(947)
Reversal of impairment of property, plant and equipment	–	(1,180)
Allowance for trade and other receivables	<b>23,997</b>	15,607
Allowance (reversal of allowance) for obsolete inventories	<b>56,263</b>	(28,606)
Impairment loss on goodwill	<b>3,135</b>	–
Provision for retirement obligations	<b>24,057</b>	27,332
Loss from disposal of associates	–	175
Share of results of associates	<b>8,977</b>	6,490
Interest income	<b>(726)</b>	(1,184)
Government grants released from deferred income	<b>(761)</b>	(2,928)
Finance costs	<b>24,110</b>	19,151
	<hr/>	<hr/>
Operating cash flows before movements in working capital	<b>(102,949)</b>	81,559
(Increase) decrease in inventories	<b>(32,433)</b>	55,467
Decrease (increase) in trade and other receivables	<b>79,921</b>	(119,063)
Increase in trade and bills payables	<b>23,230</b>	29,914
Increase (decrease) in other payables	<b>8,397</b>	(25,133)
(Decrease) increase in sales deposits received	<b>(19,459)</b>	21,677
Increase (decrease) in amount due to immediate holding company	<b>1,728</b>	(2,630)
Decrease in provision for retirement obligations	<b>(14,063)</b>	(9,061)
	<hr/>	<hr/>
Cash (used in) generated from operations	<b>(55,628)</b>	32,730
Income tax refunded (paid)	<b>5,105</b>	(5,875)
	<hr/>	<hr/>

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
NET CASH (USED IN) FROM OPERATING ACTIVITIES	<b>(50,523)</b>	26,855
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	<b>11,665</b>	38,381
Decrease (increase) in pledged bank deposits	<b>8,083</b>	(1,381)
Dividend received from an associate	<b>113</b>	340
Interest received	<b>726</b>	1,184
Purchase of property, plant and equipment	<b>(15,987)</b>	(59,483)
Prepaid lease payment in relation to land use rights	<b>(80)</b>	(18,416)
Disposal of investment in an associate	–	607
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<b>4,520</b>	(38,768)
FINANCING ACTIVITIES		
New borrowings raised	<b>258,658</b>	178,121
Government grants received	–	5,255
Repayments of bank and other borrowings	<b>(201,078)</b>	(170,492)
Interest paid	<b>(24,110)</b>	(19,151)
(Repayment to) advances from ultimate holding company	<b>(10,000)</b>	50,000
Advances to minority shareholders of subsidiaries	<b>(2,093)</b>	(8,391)
NET CASH FROM FINANCING ACTIVITIES	<b>21,377</b>	35,342
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<b>(24,626)</b>	23,429
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<b>100,381</b>	76,160
Effect of foreign exchange rate changes	<b>(971)</b>	792
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by:		
Deposits placed in financial institutions	<b>459</b>	1,526
Bank balances and cash	<b>74,325</b>	98,855
	<b>74,784</b>	100,381



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Prepared under Hong Kong Financial Reporting Standards)

For the year ended 31 December 2008

### 1. TURNOVER

Turnover represents the net amount received and receivable for printing presses and spare parts sold by the Group to outside customers and provision of printing services and is analysed as follows:

	2008 RMB'000	2007 RMB'000
Sales of printing presses	688,325	1,007,554
Sales of spare parts	16,792	24,678
Others	36,549	26,671
	<hr/>	<hr/>
Total sales	741,666	1,058,903
Less: sales tax and other surcharges	(2,505)	(6,034)
	<hr/>	<hr/>
	739,161	1,052,869
	<hr/> <hr/>	<hr/> <hr/>

### 2. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

### 3. OTHER OPERATING INCOME

	2008 RMB'000	2007 RMB'000
Gross rental income from investment properties	2,006	2,006
Gross rental income from property, plant and equipment	6,201	7,573
Gain on disposal of property, plant and equipment	5,063	947
Reversal of impairment of property, plant and equipment	—	1,180
Reversal of allowance for obsolete inventories	—	28,606
Government grants	627	—
Government grants released from deferred income	761	2,928
Interest income on bank deposits	726	1,184
Technical service income	—	60
Compensation for relocation received	—	1,970
Others	2,673	4,605
	<hr/>	<hr/>
	18,057	51,059
	<hr/> <hr/>	<hr/> <hr/>

#### 4. FINANCE COSTS

	2008 RMB'000	2007 RMB'000
Interest on bank and other borrowings wholly repayable within five years	23,724	19,039
Interest on discounted bills	386	112
	<u>24,110</u>	<u>19,151</u>

#### 5. TAXATION

	2008 RMB'000	2007 RMB'000
The taxation comprises:		
PRC Enterprise Income Tax ("EIT")		
Current year	–	898
Under-provision in prior years	105	–
	<u>105</u>	<u>898</u>
Deferred tax		
Current year	(2,749)	(28)
Attributable to a change in tax rate	(1,313)	–
	<u>(4,062)</u>	<u>(28)</u>
	<u>(3,957)</u>	<u>870</u>

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council issued Implementation Regulation of the New Law. The New Law and Implementation Regulation changed the tax rate of the Company and certain of its PRC subsidiaries to 25% from 1 January 2008 onwards.

Starting from 1 January 2008, EIT of the Company is calculated at the rate of 25% (2007: 15%) of the estimated assessable profits for the year. In accordance with the relevant rules and regulations in the PRC, except for Shaanxi Beiren Printing Machinery Company Limited ("Shaanxi Beiren") and Beijing Beiren Fuji Printing Machinery Company Limited ("Beiren Fuji"), all other PRC subsidiaries are subject to EIT at a rate of 25% (2007: 33%).

According to document (Guoshuifa [2002] 47) and document (Caishuizi [2008] 21) "Notice of Application of Transitional Preferential Policy on Enterprises Income Tax" issued by the State Administration of Taxation on 10 May 2002 and 4 February 2008 respectively, the applicable income tax rate of Shaanxi Beiren is 15% (2007: 15%).

According to document (Jingguoshuiwaipifu [2002] 1-11) issued by the foreign tax bureau of Beijing State Administration of Taxation, the applicable income tax rate of Beiren Fuji is 24% from 2001. In addition, according to document (Guoshuizhishuijianmianzi [2006] 2) issued by the tax bureau directly under Beijing State Administration of Taxation, Beiren Fuji is levied at half of the income tax from 2006 to 2008. Consequently the income tax of Beiren Fuji is charged at the rate of 12% on the estimated assessable profits for the year (2007: 12%).

No provision for Hong Kong profits tax has been made as there is no assessable profit for the subsidiaries operating in Hong Kong during the years ended 31 December 2008 and 2007.

The taxation for the years can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	<b>2008</b> <b>RMB'000</b>	2007 <i>RMB'000</i>
(Loss) profit before taxation	<b>(289,070)</b>	6,157
Tax at the domestic income tax rate of 25% (2007: 33%)	<b>(72,267)</b>	2,031
Tax effect of items not deductible for tax purposes	<b>19,403</b>	6,732
Tax effect of items not taxable for tax purpose	<b>(4,790)</b>	(9,992)
Under-provision in prior years	<b>105</b>	–
Tax effect of tax losses/deductible temporary differences not recognised	<b>50,828</b>	1,568
Tax effect of share of results of associates	<b>2,244</b>	2,143
Effect of different tax rates of subsidiaries	<b>1,833</b>	(1,612)
Increase in opening deferred tax asset resulting from a change in applicable tax rate	<b>(1,313)</b>	–
Taxation for the year	<b>(3,957)</b>	870

## 6. (LOSS) PROFIT FOR THE YEAR

	<b>2008</b> <b>RMB'000</b>	2007 <i>RMB'000</i>
(Loss) profit for the year has been arrived at after charging (crediting):		
Depreciation and amortisation		
– Property, plant and equipment and investment properties	<b>48,956</b>	37,110
– Prepaid lease payments	<b>2,893</b>	3,252
– Intangible assets	<b>283</b>	1,130
Total depreciation and amortisation	<b>52,132</b>	41,492
Staff costs including directors' emoluments	<b>258,052</b>	221,659
Allowance for trade and other receivables	<b>23,997</b>	15,607
Allowance for obsolete inventories	<b>56,263</b>	–
Research and development expenses	<b>21,196</b>	18,040
Auditors' remuneration	<b>1,150</b>	1,646
Net foreign exchange losses	<b>227</b>	1,674
Impairment loss on goodwill	<b>3,135</b>	–
Loss from disposal of associates	–	175
Share of taxation of associates (included in share of results of associates)	<b>192</b>	399
Cost of inventories recognised as an expense	<b>698,313</b>	851,560

## 7. DIVIDEND

No dividend was paid or proposed during 2008, nor has any dividend been proposed since the balance sheet date (2007: Nil).

## 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 year attributable to the equity holders of the Company of approximately RMB265,426,000 (2007: profit of RMB5,192,000) and the weighted average number of 422,000,000 (2007: 422,000,000) ordinary shares in issue during the year.

No diluted (loss) earnings per share is presented as the Company did not have any potential shares outstanding for the two years ended 31 December 2008.

**9.3** There is no change of accounting policy during the reporting period.

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

**9.5** Changes in scope of consolidation during the reporting period compared to the previous annual report are as follows:

The scope of consolidation during the reporting period had been reduced by one subsidiary as it has ceased its business, namely Sheenlite Limited. Save as above, there were no other changes.

*Chairman:* **Pang Liandong**  
**Beiren Printing Machinery Holdings Limited**  
30 March 2009

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Deng Gang, Mr. Bai Fan and Mr. Yu Baogui as non-executive directors, Mr. Pang Liandong, Mr. Zhang Peiwu, Mr. Yang Zhendong and Mr. Duan Yuangang as executive directors and Mr. Xu Wencai, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu as independent non-executive directors.*