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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)**

## **2010 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 report 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 All directors of the Company attend the meeting.
- 1.3 The annual financial report of the Company is unaudited.
- 1.4 None of the controlling shareholders of the Company or its associates has misappropriated the Company’s funds.
- 1.5 The Company did not provide external guarantees in violation of any specified decision-making procedures.
- 1.6 Zhao Guorong, the Person-in-charge of the Company, Zhang Peiwu, the Accounting Director and Duan Yuangang, the Accounting Manager (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	*st 北人
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 Contact Way

	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	010-67802565	010-67802565
Facsimile	010-67802570	010-67802570
E-mail	<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 Key Financial Data

*Unit: RMB*

	2010	2009	Changes over the same period of the preceding year (%)	2008
Income from principal operations	821,357,719.69	767,668,587.26	6.99	759,050,785.96
Total profit	24,969,577.41	-179,989,911.27	N/A	-288,406,836.49
Net profit attributable to shareholders of listed company	22,279,381.53	-174,004,582.85	N/A	-263,141,611.27
Net profit attributable to shareholders of listed company after extraordinary items	-166,002,789.76	-184,816,789.84	N/A	-269,010,827.39
Net cash flow from operating activities	-6,517,405.27	120,659,594.60	-94.60	12,237,975.94
	<b>As at the end of 2010</b>	<b>As at the end of 2009</b>	<b>Changes from the end of 2008 to the end of 2009 (%)</b>	<b>As at the end of 2008</b>
Total asset	1,457,360,678.14	1,737,782,547.50	-16.14	1,959,518,162.60
Equity interest of owners (or shareholders' equity)	744,999,407.83	722,862,519.49	3.06	896,867,102.34

### 3.2 Major financial indicators

	2010	2009	Changes from the end of 2009 to the end of 2010 (%)	<i>Unit: RMB</i> 2008
Basic earnings per share (RMB/share)	0.05	-0.41	N/A	-0.62
Diluted earnings per share (RMB/share)	0.05	-0.41	N/A	-0.62
Basic earnings per share after extraordinary items (RMB/share)	-0.39	-0.44	N/A	-0.64
Returns on net assets on weighted average basis (%)	3.04	-21.49	N/A	-25.56
Return on net assets on weighted average basis after extraordinary items (%)	-22.62	-22.82	N/A	-26.13
Net cash flow per share from operating activities (RMB/share)	0.015	0.286	-94.76	0.029
	<b>As at the end of 2010</b>	<b>As at the end of 2009</b>	<b>Changes from the end of 2009 to the end of 2010 (%)</b>	<b>As at the end of 2008</b>
Net asset per share attributable to shareholders of listed company (RMB/share)	1.77	1.71	3.51	2.13

## Deducting extraordinary items

✓ Applicable    ☐ Not Applicable

*Unit: RMB*

Items	Amount
Profit (loss) from disposal of non-current assets	4,279,750.48
Government subsidy accounted into profit and loss for the current period (except for those closely associated with the operations of the Company which were accounted for in fixed amount or volume in compliance with the requirement of the policies of the State and in accordance with uniform standard of the state.)	9,675,745.75
Profit (loss) from debt restructuring	1,583,495.15
Reversal of impairment allowances for receivables individually tested for impairment	1,161,100.00
Other net non-operating income/expenses save for the above	99,483.45
Other profit and loss items qualified as extraordinary items	172,039,266.78
Effect on income tax	0
Effect on minority interests (after tax)	-556,670.32
Total	<u><u>188,282,171.29</u></u>

### 3.3 Differences between the PRC and Hong Kong Financial Reporting Standards

#### 3.3.1 The differences between the net profit and net assets as shown in financial reports prepared in accordance with the HKFRS and the PRC GAAP

✓ Applicable    □ Not Applicable

Unit: RMB'000

Item	Net profit		Net assets	
	2010	2009	2010	2009
Under HK GAAP:	27,422	-179,187	761,113	733,852
1. Difference in valuation of net assets contributed to the Company by Beiren Group Corporation	-60,198	0	0	60,198
2. Consequential adjustment on net assets contributed by Beiren Group Corporation	48,475	-66	0	-48,475
3. Difference in valuation of capital contribution to subsidiaries	-166	-31	0	166
4. Recognition of goodwill upon acquisition of a subsidiary	1,344	0	-3,135	-4,479
5. Amortization of goodwill upon acquisition of a subsidiary	-1,344	0	3,135	4,479
6. Differences in recognition of deferred tax assets/liabilities	0	0	0	0
7. Differences in depreciation, written off and recognition of assets	0	0	0	0
8. Others	3,937	-234	0	-2,432
Under PRC accounting standards	<u>19,470</u>	<u>-179,518</u>	<u>761,113</u>	<u>743,309</u>

#### 3.3.2 Differences between the PRC and Hong Kong Financial Reporting Standards

The Company has transferred real estate located at Fatou Factory area to its parent company, Beiren Group Corporation during this period. It was accounted into intangible assets in accordance with P.R.C accounting standard while variation has arisen in comparison with Hong Kong GAAP which was reversed; therefore the arisen net profits variation is RMB 7,952,000.

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

### 4.1 Statement of changes in share capital

✓ Applicable    □ Not Applicable

	Before change		Increase/decrease in this change (+/-)					After change		Unit: Share
	Number	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserves	Others	Sub-total	Number	Percentage (%)	
(I) Shares subject to trading moratorium (nil)										
1. State-owned shares										
2. State-owned legal person shares										
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										
(II) Circulating shares not subject to trading moratorium										
1. Renminbi ordinary shares	322,000,000	76.3						322,000,000	76.3	
2. Foreign shares listed domestically										
3. Foreign shares listed overseas	100,000,000	23.7						100,000,000	23.7	
4. Others										
(III) Total shares	422,000,000	100						422,000,000	100	

#### *About the approval of changes in shareholding*

Under the Share segregation Reform, the major shareholder of the Company, Beiren Group Corporation, has fulfilled all its undertakings. All the shares of the Company held by Beiren Group Corporation are circulating share free from trading moratorium. As of the Reporting period, the Beiren Group Corporation holds 201.62 million shares of the Company, which are all circulating shares not subject to trading moratorium, representing 47.78 percent of the total share capital of the Company.

*The Company considers it necessary or the Organization of Securities Regulators requires to publish other disclosure information:*

The Company made an announcement on 7 January 2010, that it had sold 21 million circulating shares of the Company not subject to trading moratorium on 6 January 2010 and on 7 January 2010, representing 4.98 percent of the total share capital of the Company. Beiren Group Corporation sold 20,000 shares of the Company to the public in December 2010 and as of the reporting period, Beiren Group Corporation holds 201.62 million shares of the Company, which are all circulating shares not subject to trading moratorium, representing 47.78 percent of the total share capital of the Company. Beiren Group Corporation is still the major shareholder of the Company.

*Changes in restricted circulating shares*

☐ Applicable    ☒ Not Applicable

## 4.2 Number of shareholders and their shareholding

*Unit: Share*

**Total number of shareholders at the end of the reporting period:** 19,624 (including: 19,537 A share holders and 87 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	47.78	201,620,000	-21,020,000	0	Nil
HKSCC NOMINEES LIMITED	unknown	23.29	98,309,199	154,000	0	unknown
中國建設銀行 — 海富通風格優勢股票型 證券投資基金	unknown	1.59	6,702,042	6,702,042	0	unknown
長江證券股份有限公司	unknown	0.96	4,032,327	4,032,327	0	unknown
日信證券有限責任公司	unknown	0.57	2,403,905	2,403,905	0	unknown
大象創業投資有限公司	unknown	0.29	1,220,000	1,220,000	0	unknown
趙成金	unknown	0.24	1,000,000	1,000,000	0	unknown
伍志強	unknown	0.19	820,000	0	0	unknown
山東省國際信託有限公司 — 積勝1期債券投資集合 資金信託計劃	unknown	0.19	800,000	800,000	0	unknown
北京通匯市達投資顧問有限公司	unknown	0.19	784,100	784,100	0	unknown



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

<b>Name of shareholders</b>	<b>Number of circulating shares held</b>	<b>Class of shares</b>	
Beiren Group Corporation	201,620,000	Renminbi ordinary shares	201,620,000
HKSCC NOMINEES LIMITED	98,309,199	Foreign shares listed overseas	98,309,199
中國建設銀行 —海富通風格優勢股票型 證券投資基金	6,702,042	Renminbi ordinary shares	6,702,042
長江證券股份有限公司	4,032,327	Renminbi ordinary shares	4,032,327
日信證券有限責任公司	2,403,905	Renminbi ordinary shares	2,403,905
大象創業投資有限公司	1,220,000	Renminbi ordinary shares	1,220,000
趙成金	1,000,000	Renminbi ordinary shares	1,000,000
伍志强	820,000	Renminbi ordinary shares	820,000
山東省國際信託有限公司 —積勝1期債券投資集合 資金信託計劃	800,000	Renminbi ordinary shares	800,000
北京通匯芾達投資顧問有限公司	784,100	Renminbi ordinary shares	784,100

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

As of the reporting period, shares subject to trading moratorium held by the Company were all listed for circulation in the market. The Company is not aware of any connected relationship among the aforesaid 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.

1. Among the top ten shareholders of the Company, Beiren Group Corporation is the controlling shareholder of the Company. As of the reporting period, shares subject to trading moratorium held by Beiren Group Corporation were all listed for circulation in the market.
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, 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.

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 2010, 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***

##### *4.3.2.1 Details of controlling shareholders and beneficial controller*

##### **1. Details of controlling shareholders**

Beiren Group Corporation was established in 1952, and now become a well-known printing machinery manufacturing group in China, and is one of the 520 enterprises mainly fostered by the government. Beiren Printing Machinery Holdings Limited, which was solely established by Beiren Group Corporation, is one of the 9 enterprises first listed on the security market in Hong Kong. After entering the 21 century, under the strategic guideline of "expanding into the pre-press and post-press fields to become the supplier of the complete system in the printing machinery industry", Beiren Group Corporation gradually developed the riding line and perfect binding line post-press products through operation of the products and capital to fill the product gap in China and are well received by the market.

As of the reporting period, Beiren Group Corporation held 201,620,000 shares of the Company, accounting for 47.78% of the total share capital of the Company, and all of which were circulating shares not subject to trading moratorium.

## 2. Details of beneficial controller

Our beneficial controller Beijing Jingcheng Mechanical & Electrical Holding Co., Ltd. (“JCH”) is large state-owned company authorized by Beijing municipal government. The registered capital of the Company is RMB1.6 billion with total assets of RMB24.7 billion. JCH is committed to develop into a flagship in the equipment manufacturing industry in China and has become a core business segment for printing machines, functional units of CNC machines, construction machinery, environmental protection industry and power generation and transmission equipment with leading position in China. JCH has established trading links with over 70 countries and regions as well as long term and stable joint stock and cooperative business relationship with world famous enterprises including ABB, ALSTOM, B&W, OKUMA, NISSIN, HYUNDAI and TADANO. Based on the notion of maximizing shareholders’ benefit and the principle of integrity, JCH actively participates in competition in the international market and is willing to achieve success in the equipment manufacturing industry with the global partners.

### 4.3.2.2 Status of Controlling shareholder

#### ○ The legal person

*Unit: RMB0’000*

<b>Name</b>	<b>Beiren Group Corporation</b>
<b>The person in charge of the Company or Legal representative</b>	Zhao Guorong
<b>Date of incorporation</b>	16 July 1992
<b>Registered capital</b>	17,126.7
<b>Principle activities</b>	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.

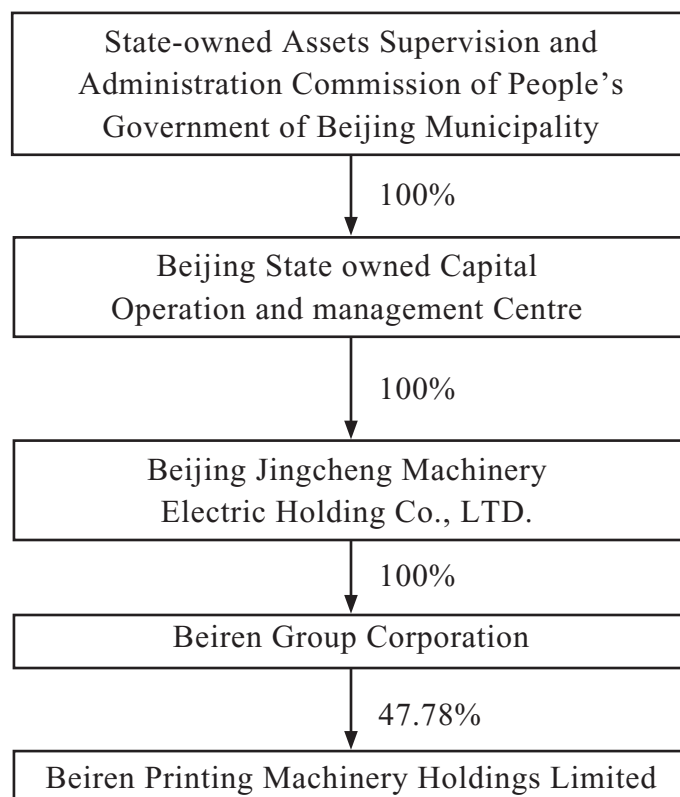
#### 4.3.2.3 Status of beneficial controller

○ The legal person

Unit: RMB0'000

<b>Name</b>	<b>Beijing Jingcheng Machinery Electric Holding Co., Ltd.</b>
<b>The person in charge of the Company or Legal representative</b>	Ren Yaguang
<b>Date of incorporation</b>	8 September 1997
<b>Registered capital</b>	163,454.55
<b>Principle activities</b>	State-owned assets operation and management within the scope of authorization; operation of title (ownership); external financing and investment.

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



#### 4.3.4 The beneficial controller controls the Company by way of Trust or other assets management

☐ Applicable    ☒ Not Applicable

## 5 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 5.1 Change 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 at the beginning of the year	Shareholdings at the end of the year	Increase/decrease	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
Zhao Guorong	Chairman	Male	39	2009-11-3	2011-07-13	0	0		0	Yes
Zhang Peiwu	Director and General Manager	Male	47	2008-7-14	2011-07-13	0	0		30.9	No
Duan Yuangang	Director and Chief Accountant	Male	36	2009-01-08	2011-07-13	0	0		22.2	No
Xu Wencai	Independent Non-executive Director	Male	53	2008-7-14	2011-07-13	0	0		4	No
Wang Hui	Independent Non-executive Director	Female	49	2008-7-14	2011-07-13	0	0		4	No
Xie Bingguang	Independent Non-executive Director	Male	55	2008-7-14	2011-07-13	0	0		4	No
Wang Deyu	Independent Non-executive Director	Male	36	2008-7-14	2011-07-13	0	0		4	No
Wang Liansheng	Chairman of the Supervisory Committee	Male	52	2009-11-3	2011-07-13	0	0		14.8	No
Guo Xuan	Supervisor	Male	40	2008-7-14	2011-07-13	0	0		17.2	No
Jiao Ruifang	Secretary to the Board of Directors	Female	33	2008-7-14	2011-07-13	0	0		21.9	No
Kong Dagang	Deputy General Manager	Male	52	2008-7-14	2011-07-13	0	0		21.5	No
Chen Changge	Deputy General Manager	Male	43	2010-9-21	2011-07-13	0	0		11.3	No
Total	/	/	/	/	/	0	0	/	155.8	/

#### 1. 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 2010, 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 section 352 of 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 2010, 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 HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.
- (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 2010.

## **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 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 yearend bonus will be determined at the sole discretion of the Board, realized 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.

### **3. *Changes in Directors, Supervisors and Senior Management***

1. The resolution in respect of the election of Mr. Zhao Guorong as the Chairman of the Sixth Board of Directors of the Company was considered and approved at the Fourth Extraordinary General Meeting of the Sixth Board of Directors of the Company on 2 June 2010. This matter was disclosed at “Shanghai Securities Daily” on 3 June 2010 and the website of the Shanghai Stock Exchange <http://www.sse.com.cn> and the Stock Exchange of Hong Kong Limited <http://www.hkexnews.hk> on 2 June 2010.
2. As Mr. Pang Liandong has reached the retirement age, he tendered his resignation to the Board to resign as director and Chairman of the company with effect from 2 June 2010. This matter was disclosed at “Shanghai Securities Daily” on 3 June 2010 and the website of the Shanghai Stock Exchange <http://www.sse.com.cn> and the Stock Exchange of Hong Kong Limited <http://www.hkexnews.hk> on 2 June 2010.
3. Due to change of work, Mr. Bai Fan, Mr. Yang Zhendong and Mr. Liu Jing tendered their resignation to the Board to resign as director, director and deputy general manager and deputy general manager of the company respectively with effect from 21 September 2010. This matter was disclosed at “Shanghai Securities Daily” on 27 September 2010 and the website of the Shanghai Stock Exchange <http://www.sse.com.cn> and the Stock Exchange of Hong Kong Limited <http://www.hkexnews.hk> on 21 September 2010.
4. Due to re-designation of work, Mr. Shao Zhenjiang tendered his resignation to the Supervisory Committee of the Company to resign as Employee Supervisor of the Company. However, as the resignation of Mr. Shao Zhenjiang will cause the number of supervisors to be lower than the quorum and that required by the Articles of Association, his resignation will be effective only upon the appointment of new supervisor at the general meeting of the Company. This matter was disclosed at “Shanghai Securities Daily” on 17 November 2010 and the website of the Shanghai Stock Exchange <http://www.sse.com.cn> and the Stock Exchange of Hong Kong Limited <http://www.hkexnews.hk> on 16 November 2010.

## 6 REPORT OF DIRECTOR

### 6.1 Management Discussion and Analysis

#### *(I) Review*

In 2010, China faced a complex and volatile domestic and overseas economic environment and continued to implement planning to deal with the impact of the international financial crisis. It has strengthened and improved the macro control and actively promoted the change in economic development and structural adjustment as the economy has recovered with good momentum. The overall investment in fixed assets also maintained steady growth. In the printing industry, packaging printing and commercial printing both recorded growth but due to the impact from the Internet and new media technology, traditional book printing and newspaper printing were on a downward trend. As a result, growth in the printing machine industry was slow and the competition has intensified. During the reporting period, the Company faced difficult situation both internally and externally and to weather through the crisis, we have taken decisive measures to actively implement adjustment of our product, enhance marketing capability, increase market share, reduce costs and expenses and streamline management. By adjusting the economies of scale, mobilising the inventories and transferring certain non-core businesses and assets, we have recorded profits. During the reporting period, operating income prepared in accordance with the PRC Accounting Standards was RMB821,357,700 and net profit was RMB22,279,400. Turnover prepared in accordance with Hong Kong Financial Reporting Standards was RMB800,024,000 and net profit was RMB30,231,000.

During the reporting period, the Company faced immense pressure of suspended trading. Under the leadership of the Board, we adopted measures to achieve the objectives of “Profit-making in general and reducing losses for principal businesses”. Works mainly carried out are as follows:

#### *1. Formulation of the “12-5” strategic planning for the development of the Company*

In 2010, the macro economy has started to recover and competition has intensified for the market of printing machines. Under the adjustment and change of economy growth promoted by the government, the Company implemented the “12-5” strategy formulation based on the conclusion of the “11-5” strategy. The Company performed an analysis on the changes in external environment by ways of research and interview to assess the internal productivity and formulated the “12-5” strategic planning for the development of the Company to weather through the crisis.



2. *Optimization and upgrading of product structures through innovation in technology and management*

During the reporting period, the Company actively developed new products, enhanced market competitiveness and increased market shares with good progress. The newly developed N525 two-colour unit-type offset machine and N530 large two-sided single-colour offset machine have finished the production of a small batch and were launched in the market. The N500 folio double 4-colour and 5-colour offset machine were also on sale. The design for the sheet-coiling new book printing machine was completed and it has commenced trial production.

3. *Adjustment of marketing strategy and respond to information of the market and customers in a timely manner*

During the reporting period, the Company adjusted the marketing system and further refined the regions. It has established 11 offices, reduced the levels of management, accelerated our response to the market, improved the marketing system and enhanced the marketing capabilities.

4. *Deepening of internal reform and strengthening of fundamental management works*

Cost reduction and efficiency enhancement is one of the keys for winning in competition. Enhancing competitiveness by reducing cost is our major work during the reporting period. On one hand, we strengthened our financial management and plugged up loopholes with a comprehensive budget management system for resource procurement, price review and contract management. On the other hand, we adopted measures to reduce cost in design, technology, production and quality so as to enhance quality control and reduce loss in quality.

5. *Adjustment of economies of scale and centralising premium resources to develop principal businesses*

During the reporting period, the Company faced extremely intense market environment and to weather through the crisis, we have taken decisive measures to transfer our non-core businesses and assets i.e. to transfer the equity interest, liabilities, assets and technology in relation with Quarto's business to Beiren Group Corporation (the "Group"). To mobilise the inventories and improve our business results, we transferred 100% equity interest in Yi Xin Company, our wholly-owned subsidiary, to the Group. To resolve the issue of "inconsistency between building and land" left behind from our special inspection, we transferred our properties and certain property-related ancillary equipment in Fatou of Beijing to the Group; and the Group has given compensation for relocation to Beiren Fuji, a subsidiary of the Company. As at the end of the reporting

period, the funding for our non-core businesses and asset transfer was in place. It is beneficial to the improvement of our business results, enhancement of the quality and efficiency of our asset operation and increase of our cashflow, so as to facilitate better development of our principal businesses.

6. *Increase of control over subsidiaries with the introduction of advanced management model*

During the reporting period, the Company required its subsidiaries to formulate planning for the implementation of internal control systems and improved the internal control system. It created a newer and better management platform for the subsidiaries and provided a good foundation for the reduction of operation risk and enhancement of quality of business.

**(II) Prospects**

In 2011, with the emergence of new media and technology and increase in awareness of environmental-friendly printing materials in the PRC, a new industrial revolution will be driven in the printing technology and equipment domain. By looking at the market segments, the newspaper industry will have diversified development and the printing volume of newspaper will remained relatively stable. After the end of the rapid growth in book printing due to policy changes in 2006 and 2007, the under-utilisation of production capacity has gradually surfaced, which led to no significant growth in demand for book printing equipment. As the central government adjusts the economic structure and implements measures such as the promotion of consumption, the market for commercial and packaging printing machines will maintain growth of more than 10%, which will bring good opportunities for the transformation of our products. From the macroeconomic perspective of the coming year, the market is subject to inflation pressure and increases in energy resource and raw material prices. Faced with the impact from the external environment, the Company will adopt active measures in accordance with the requirement of the “12-5” strategy to lay the foundation for its objectives.

Key work of the Company in 2011

1. *Promotion of and adherence to the “12-5” strategy with active implementation*

We organised and promoted the “12-5” strategy and facilitated our staff’s in-depth understanding of the essence of the strategy. We tracked the objectives of the strategy and the implementation of its responding measures. We looked for integration opportunities in new technology, products and services to guarantee the implementation and progress in achieving our overall strategic objectives.

2. *Adherence to technology innovation, accelerated adjustment of product structure and continued enhancement of product competitiveness*

We continued to strengthen the development of new products based on the adjustment of product structure and integrated the multi-colour machine series with the guidance of the “industrialisation of digital folio double flat paper offset machine” project. We optimised the technology line and guaranteed the consistency of its quality. We promoted the IPD project management and enhanced the efficiency of research and development.

3. *Strengthening of marketing channel management, improvement of the service system, strengthening of market information management and enhancement of planning completion*

We improved the marketing and service management in sales, implemented management system with independent operation, enhanced level of service and achieved valued-added services. Meanwhile, we strengthened market information management, accurately assessed market demand and provided reasonable demand in inventories and product supplies for technology and production to match the planning for sales, production and capital.

4. *Adaptation to adjustments in product structure, changes in concept and organisation of production management and enhancement of productivity*

We strengthened the market awareness and established management concept with market as the centre, customers as the focus and provision of marketing resource as the main line. We adjusted the organisation of production and accelerated the capital flows.

5. *Strengthening of capital management, reduction of capital occupied and enhancement of efficiency in use of capital*

We balanced production and sales, ensured smooth connection between them and achieved healthy flow of capital. We strengthened capital management, significantly reduced the capital occupied by inventories and account receivables, improved the situation of high in inventories, account receivables and cost and low in revenue and enhanced the efficiency in use of capital.

6. *Further strengthening of fundamental management and enhancement of quality of our operation*

- (1) To strengthen the analysis and control of the budget and assess the budgets of cost and expense, production, sales revenue and collection. (2) To improve the quality system, strictly follow quality standards, implement quality responsibilities and enhance quality of products. (3) To ensure smooth implementation of the internal control system, the Company will re-locate the risk points, complete the related internal control system, implement internal control and supervise and inspect the implementation of the internal control system of the subsidiaries.

## 6.2 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	431,053,389.36	378,251,455.31	-7.38	-3.91	-11.10	Increase 27.12 percent
Intrusion printers series	299,370,754.59	226,786,556.05	1.64	28.24	18.73	Increase 8.76 percent
Form presses series	44,799,531.00	40,306,447.44	-18.15	67.88	59.03	Increase 2.86 percent
Total	775,223,674.95	645,344,458.80	-4.52	9.39	0.54	Increase 20.45 percent

## 6.3 Principal businesses by geographical location

*Unit: RMB*

Geographical location	Operating income	Increase/decrease in operating income compared over last year (%)
Domestic	738,685,885.23	9.89
Overseas	36,537,789.72	0.08
Total	775,223,674.95	9.39

## 6.4 Operation and business performance of major holding subsidiaries

Unit: RMB

Company name	Nature of business	Main product or service	Registered capital	Asset size	Net profit
Beijing Beiren Fuji Printing Machinery Limited	Manufacture of printing presses	Form presses	42,328,060.26	80,247,540.28	-12,783,306.79
Beijing Beiren Jingyan Printing Machine Factory	Parts for printing presses	Paper-feeding machine	21,050,000.00	21,101,269.53	-4,799,665.08
Shaanxi Beiren Printing Machinery Limited	Manufacture of printing presses	Intaglio presses	115,000,000.00	322,055,454.44	7,541,820.63

## 6.5 Information on major suppliers

Unit: RMB0'000

Total procurement from the top five suppliers	4,547.40	Percentage accounting for total procurement	10.32%
Total sales from the top five customers	9,129.48	Percentage accounting for total sales	11.11%

## 6.6 Use of capital raised

☐ Applicable    ☒ Not Applicable

Change of Projects

☐ Applicable    ☒ Not Applicable

## 6.7 Projects financed by non-raised funds

☐ Applicable    ☒ Not Applicable

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

☐ Applicable    ☒ Not Applicable

## **6.9 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 RMB22,279,400 during the reporting period; the undistributed profit was RMB-243,051,100 at the end of the year. According to Hong Kong Financial Reporting Standards, the Company realized a net profit attributable to the owners of RMB30,231,000 during the reporting period. As the undistributed profit recorded during the reporting period was negative, the Company did not recommend to distribute profit or to transfer capital reserve to share capital for 2010 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

## **6.10 Analysis of Financial Status and Business Performance During the Reporting Period**

### *1. Operating results (prepared under PRC accounting standards)*

In 2010, total profit of the Company increased by RMB204,959,500 or 113.87% as compared with the same period last year.

- (1) Operating income increased by 7.09% while operating cost decreased by 2.99% as compared with last year. Gross profit margin for the year was 17.73% while gross profit margin for last year was 9.26%. The increase in gross profit margin was due to the market recovery and increase in production volume, so that amortisation of fixed cost has decreased.
- (2) Business tax and surcharge decreased by 5.49% over last year mainly due to decrease in operating income; expenditure for the period increased by 3.27% over last year mainly due to the increase in operating income and sales expenses; loss in impairment of assets increased by 110.4% over last year mainly due to increase of bad debts provision and provision for diminution in value of inventory; investment revenue increased by 13,668.33% over last year mainly due to the increase of transfer of subsidiaries.
- (3) Net non-operating income increased by 42.35% over last year, mainly attributable to the increase in disposal of fixed assets.

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

Total assets value amounted to RMB1,457,360,700 during the reporting period, decreased by 16.14% as compared with the beginning of the year, of which inventory, accounts receivable, other receivables decreased substantially. Total liabilities amounted to RMB696,247,900, decreased by 29.99% as compared with the beginning of the year, mainly due to significant decrease in short term loans and accounts payable. Total equity interest attributable to shareholders amounted to RMB761,112,800, increased by 2.4% 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

	2010	2009
(1) Assets-liabilities ratio	47.77%	57.23%
(2) Quick ratio	59.36%	45.94%
(3) Liquidity ratio	<u>111.82%</u>	<u>97.00%</u>

## 4. *Bank loans*

The Company implemented its annual capital budget plan 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 RMB139,750,000, decreased by 55.61% as compared with the beginning of the year. Long-term loan was RMB18,000,000, decreased by 25% 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 and fees payable to Hong Kong Stock Exchange. The change in foreign exchange rates will not have material impact on the results of the Company.

## 6. *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 RMB756,830,000, while cash outflow amounted to RMB750,312,600. Net cash flow during the reporting period from operating activities amounted to RMB6,517,400.

### (2) Cash flows from investment activities

Cash inflow from investment activities during the reporting period amounted to RMB210,167,500 which was mainly attributable to the disposal of fixed assets and recovery of subsidiaries. Cash outflow to investment activities amounted to RMB21,631,100, which was mainly used for capital expense on capital increase in subsidiaries and purchase of fixed assets. The above expenditures were financed by the Company's internal resources. Net cash flow from investment activities for the reporting period amounted to RMB188,536,400.

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

Cash inflow from fund-raising activities during the reporting period amounted to RMB319,250,000, which was mainly derived from bank loans. Cash outflow from fundraising activities during the reporting period amounted to RMB515,618,900 was mainly for repayment of bank loans and interest. Net cash flow from fund-raising activities for the reporting period amounted to RMB-196,368,900.

## 7. *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 RMB761,112,800; of which, minority interests amounted to RMB16,113,400; and total liabilities amounted to RMB696,247,900. Total assets amounted to RMB1,457,360,700. As at the end of the year, the Company's gearing ratio was 47.77%.



## Capital structure by liquidity

Total current liabilities	RMB666,462,900	Accounting for 45.73% of the capital
Total equity interest	RMB761,112,800	Accounting for 52.23% of the capital of
which: minorities interest	RMB16,113,400	Accounting for 1.11% of the capital

### 8. *Contingent Liability*

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

### 9. *Analysis of the Reasons for Major Changes in Overall Financial Position Compared with Last Year (prepared According to PRC Accounting Standards)*

- (1) Bills receivable increased by 111.96% compared with the beginning of the year, mainly due to the increase in bank acceptance bill received by the Company.
- (2) Accounts receivable decreased by 20.4% compared with the beginning of the year, mainly due to the increase in efforts in the collection of debts by the Company.
- (3) Other receivables decreased by 39.78% compared with the beginning of the year, mainly due to the decrease in other receivables as a result of transfer of equity interests in subsidiaries.
- (4) Inventories decreased by 28.55% compared with the beginning of the year, mainly due to the control of the input and output based on the market changes and inventory digestion by the Company.
- (5) Investment properties decreased by 53.96% compared with the beginning of the year mainly due to the transfer of building originally leased to the subsidiary Beijing Beiren Fuji Printing Machinery Limited.
- (6) Deferred income tax assets decreased by 66.74% compared with the beginning of the year mainly due to the reversal of deferred income tax assets.
- (7) Short-term loan decreased by 55.61% compared with the beginning of the year, mainly due to the early repayment of bank borrowings as there is sufficient fund for the year.

- (8) Accounts payable decreased by 21.25% compared with the beginning of the year, mainly due to earlier payment for increased production support as a result of increase in production volume.
- (9) Tax payable decreased by 42.56% compared with the beginning of the year, mainly due to the decrease in outstanding account of tax payable.
- (10) Interest payable decreased by 87.83% compared with the beginning of the year mainly due to the decrease in bank borrowings.
- (11) Non-current liabilities due within one year decreased by 100.00% compared with the beginning of the year mainly due to the decrease in non-current liabilities as a result of transfer of equity interests in subsidiaries.
- (12) Impairment loss on assets increased by 110.4% compared with the same period of last year, mainly due to increase of bad debts provision and provision for diminution in value of inventory.
- (13) Investment revenue increased by 13,668.33% compared with the same period of last year, mainly due to the disposal of equity interest in subsidiaries Beiren Yi Xin Company and Haimen Beiren Fuji Company.
- (14) Non-operating income increased by 42.35% compared with the same period of last year, mainly attributable to the increase in disposal of fixed assets.

## 7 MAJOR EVENTS

### 7.1 Acquisition of assets

☐ Applicable    ☒ Not Applicable

### 7.2 Disposal of assets

☒ Applicable    ☐ Not Applicable

*Unit: RMB'000*

Transaction parties	Disposed assets	Disposal date	Selling Price	Net profit contributed to the listed company by the assets from the beginning of the year to the date of disposal of the assets	Profit or loss arising from disposal of assets	Is it a connected transaction (if yes, please state the pricing basis)	Pricing basis of disposal of assets	Whether the property rights of the disposed assets were fully transferred	Whether the debts and liabilities were fully transferred	Proportion of net profit contribution from the disposal of assets to the net profit of the listed company (%)	Connection
Beiren Group Corporation	Beiren Yi Xin (Beijing) Technical Development Co., Ltd.	31 October 2010	17,637.04	25.85	15,701.02	Yes	Agreed price	Yes	Yes	704.73	Parent
Beijing Offset Point Factory	Beijing Beiren Yuxin Offset Printing Co., Ltd.	31 January 2010	35.00	-0.11	30.96	No	Agreed price	Yes	Yes	1.39	
Beiren Group Corporation	Haimen Beiren Fuji Printing Machinery Co., Ltd.	30 September 2010	2,312.93	261.89	1,450.94	Yes	Agreed price	Yes	Yes	65.12	Parent

### 7.3 Material Guarantees

✓ Applicable    ☐ Not Applicable

*Unit: RMB0'000*

Guarantees provided to external parties by the Company  
(excluding guarantee provided to the controlling subsidiaries)

Total amount of guarantee provided during the reporting period	—
Total amount of outstanding guarantee as at the end of the reporting period	—

Guarantees provided to the controlling subsidiaries by the Company

Total amount of guarantee provided to the controlling subsidiaries during the reporting period	1,000
Total amount of outstanding guarantee provided to the controlling subsidiaries as at the end of the reporting period	1,000
Total amount of guarantee granted by the Company (including guarantee provided to the controlling subsidiaries)	
Total amount of guarantee	1,000
Proportion of the total amount of guarantee to the net assets of the Company	1.31%
Including:	
Amount of guarantee provided for Shareholders, beneficial controllers and their connected parties	0
Amount of debt guarantee provided, either directly or indirectly, for guaranteed parties whose gear ratio is larger than 70%	0
Excess of total amount of guarantee over 50% of net assets	0
Total amount of the above three guarantees	0

## 7.4 Material Connected Transactions

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

✓ Applicable    □ Not Applicable

*Unit: RMB*

Connected transactions parties	Connection	Type of connected transactions	Subject of connected transactions	Pricing basis of connected transactions	Price of connected transactions	Amount of connected transactions	Proportion to amount of transaction of similar type (%)	Settlement of connected transactions	Market price	Reasons for material difference between transaction price and market reference price
Beiren Group Corporation	Parent company	Grant of rights of use including patents and trademarks	Trademark usage fee	Agreed price		4,146,453.94	100.00	Currency transaction		
Beiren Group Corporation	Parent company	Other outflows	Land use right fee	Agreed price		850,000.00	100.00	Currency transaction		
Beijing Monigraf Automations Company Limited	Associated company	Purchase of goods	Purchase of goods	Agreed price		11,522,473.14	7.68	Currency transaction		
Beijing Beiyong Casting Company Limited	Associated company	Purchase of goods	Purchase of goods	Agreed price		20,368,769.36	13.58	Currency transaction		
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Associated company	Purchase of goods	Purchase of goods	Agreed price		2,832,527.06	1.89	Currency transaction		
Beiren Group Corporation	Parent company	Sale of goods	Sale of goods	Agreed price		230,615.33	0.01	Currency transaction		
Beiren Group Corporation	Parent company	Other utility fees such as water, electricity and gas fees (sale)	Sale of water and electricity	Agreed price		138,811.91	11.57	Currency transaction		
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Associated company	Other utility fees such as water, electricity and gas fees (sale)	Sale of water and electricity	Agreed price		498,213.15	41.52	Currency transaction		

## 7.4.2 Connected transaction as a result of acquisition and disposal of assets

Unit: RMB

Connected parties	Connection	Type of connected transactions	Subject of connected transactions	Pricing basis of connected transactions	Book value of transferred assets	Appraised value of transferred assets	Transfer price	Reasons for material difference between transfer price and book value or appraised value	Settlement of connected transactions	Gain from transfer of assets
Beiren Group Corporation	Parent company	Share transfer	Share transfer-equity interest of Haimen	Agreed	1,153.98	2,312.93	2,312.93		Currency transaction	1,450.94
Beiren Group Corporation	Parent company	Share transfer	Share transfer-equity interest of Yi Xin	Agreed	2,234.27	17,637.04	17,637.04		Currency transaction	15,701.02
Beiren Group Corporation	Parent company	Sale of assets other than goods	Transfer of property	Agreed	1,036.71	1,149.05	1,149.05		Currency transaction	136.92
Beiren Group Corporation	Parent company	Sale of assets other than goods	Transfer of equipment	Agreed	222.23	316.28	316.28		Currency transaction	98.51
Beiren Group Corporation	Parent company	Sale of assets other than goods	Transfer of special technology	Agreed	0	218.01	218.01		Currency transaction	218.01
Beiren Group Corporation	Parent company	Sale of assets other than goods	Compensation for relocation	Agreed	1,074.69	1,074.69	1,074.69		Currency transaction	0
Beiren Group Corporation	Parent company		Transfer of inventories	Agreed	1,512.32	1,828.65	1,828.65		Currency transaction	482.91
Beiren Group Corporation	Parent company	Sale of assets other than goods	Transfer of debt	Agreed	1,998.38	1,998.38	1,998.38		Currency transaction	0

## 7.4.2 Connected Debts and Liabilities

✓ Applicable    □ Not Applicable

		<i>Unit: RMB</i>			
Connected party	Connection	Capital provided to connected parties		Capital provided to the listed company by connected parties	
		Incurred amount	Balance	Incurred amount	Balance
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Associated company	157,5221.45	1,793,559.08	-27,215,091.36	20,651,316.66
Beijing Monigraf Automations Company Limited	Associated company	-222,399.40	150,993.00	-2,235,416.85	3,470,983.15
Haimen Beiren Fuji Printing Machinery Company Limited	Controlling subsidiary of the parent company	378,729.71	378,729.71		
Beijing Beiying Casting Company Limited	Associated company	-99,517.45	0	1,092,446.79	2,000,000.00
Beiren Group Corporation	Parent company	1,629,191.08	1,629,191.08	-14,391,840.95	1,247,319.56
Incurred amount of the capital provided to the controlling shareholders and their subsidiaries by the Company during the reporting period (RMB)					2,007,920.79
Balance of the capital provided to the controlling shareholders and their subsidiaries by the Company (RMB)					2,007,920.79
Reason for the connected debts and liabilities		Other receivables			
Settlement of connected debts and liabilities		The amount receivable from Beiren Group Corporation during the year is the other receivable. The amount payable of RMB1,247,319.56 from the Group to Beiren Group Corporation is audited in other payables. After offsetting, the amount receivable from Beiren Group Corporation is RMB381,871.52, which was paid in 2011			

### *7.4.3 Appropriated fund and the recovery progress in 2009*

☐ 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

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

#### **7.10 Other Major Events**

**(1) Receipt of government subsidies**

The Company had received product research and development fees, subsidies for employment stability and social insurance subsidies amounting to RMB8,705,500 from the government.

**(2) Disposal of subsidiaries during the reporting period**

During the reporting period, the subsidiary of the Company Beijing Beiren Yuxin Offset Printing Co., Ltd. was disposed, and relevant procedures were finished. The relevant procedures of the transfer of equity interest in subsidiaries Beiren Yi Xin (Beijing) Technical Development Co., Ltd. and Haimen Beiren Fuji Printing Machinery Co., Ltd. to subordinate shareholder Beiren Group Corporation were also finished.

**(3) Income tax**

The applicable enterprise income tax rate for the Company is 25%.

**(4) Audit of financial report for the reporting period by the audit committee**

The 2010 Financial Report has been reviewed and confirmed by the audit committee under the Board of Directors of the Company.

**(5) 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.

(6) 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 in Appendix 10 to the Listing Rules. Having made specific enquiry to all directors and supervisors of the Company, the Company confirmed that, each of the Directors and supervisors has complied with the required standards regarding securities transactions by directors set out in the Model Code within the 12 months ended 31 December 2010.

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

(8) As of 31 December 2010, the Company did not issue any convertible securities, options, warrants or any other similar rights.

(9) 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 2010 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 RMB900,000 for ShineWing Certified Public Accountants and RMB250,000 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 2010, ShineWing Certified Public Accountants has provided audit services for the Company for 4 years, and SHINEWING (HK) CPA Limited has provided audit services for the Company for 4 years.

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

### **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. 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 2010 financial report truly 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 2009 in accordance with Hong Kong accounting 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 last fund raising activity of the Company was conducted at the end of 2002 and completed for the year ended 31 March 2003. The use of the proceeds raised was in line with the intended use without any changes.

#### **8.4 Independent Opinion of the Supervisory Committee on Acquisition and Disposal of Assets of the Company**

During the reporting period, the Company completed the transfer of non-core assets to subordinate shareholder Beiren Group Corporation, which is a material connected transaction. The connected transaction strictly complied with the procedures of relevant requirements of the Company Law and Articles of Association of the Company and the terms of it are fair and reasonable. It was entered into on normal commercial terms and in the interests of the Company and the shareholders as a whole. The transaction price is objective and fair without harming the interests of the Company and non-connected shareholders and minority shareholders. The decision is in line with our development strategy and development needs in production and operation.

#### **8.5 Opinion of the Supervisory Committee on Connected Transactions of the Company**

The Company had no material connected transactions during the reporting period (see (4) Independent Opinion of the Supervisory Committee on Acquisition and Disposal of Assets of the Company).

#### **8.6 Review of the Supervisory Committee on the self assessment report on internal control**

The Supervisory Committee has reviewed the self assessment report on internal control of Beiren Printing Machinery Holdings Limited and considers that the internal control system of the Company is complete with effective implementation from 1 January 2010 to the end of the reporting period. The report objectively and fairly reflects the internal control of the Company and there is no disagreement on the assessment report.

## **9 FINANCIAL REPORT**

### **9.1 Auditor's opinion**

ShineWing Certified Public Accountants had audited the Financial Report of the Company for 2010 and had issued its standard auditor's report No.XYZH/2010A4005 with unqualified opinion.

SHINEWING (HK) CPA Limited had audited the Financial Report of the Company for 2010 and had issued its standard auditor's report with unqualified opinion.

### **9.2 Financial report (attached below)**

### **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:**

As compared with the previous published annual report, the subsidiaries of the Company Beijing Beiren Yuxin Offset Printing Co., Ltd., Beiren Yi Xin (Beijing) Technical Development Co., Ltd. and Haimen Beiren Fuji Printing Machinery Co., Ltd. were excluded from the scope of consolidation during the reporting period due to their disposals. Save for this, there were no other changes.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
Turnover	800,024	748,384
Cost of sales	(725,973)	(724,448)
Gross profit	74,051	23,936
Other operating income	32,920	23,806
Selling and distribution expenses	(73,347)	(62,853)
Administrative expenses	(158,134)	(145,845)
Finance costs	(18,022)	(19,956)
Gain on disposal of subsidiaries	174,987	631
Share of profit of associates	466	622
Profit (loss) before taxation	32,921	(179,659)
Taxation	(5,499)	472
Profit (loss) and total comprehensive income (loss) for the year	27,422	(179,187)
Profit (loss) and total comprehensive income (loss) for the year attributable to:		
Owners of the Company	30,231	(173,674)
Non-controlling interests	(2,809)	(5,513)
	27,422	(179,187)
Earnings (loss) per share		
Basic and diluted	RMB7.2 cents	RMB(41.2) cents

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 31 December 2010*

	<b>2010</b> <b>RMB'000</b>	2009 <i>RMB'000</i>
Non-current assets		
Property, plant and equipment	<b>499,080</b>	553,379
Prepaid lease payments	<b>120,799</b>	141,349
Investment properties	<b>66,631</b>	74,752
Interests in associates	<b>15,854</b>	15,388
Goodwill	–	–
Other intangible assets	–	–
Deferred tax assets	<b>2,741</b>	8,240
	<b>705,105</b>	793,108
Current assets		
Inventories	<b>349,628</b>	489,304
Trade and other receivables	<b>273,030</b>	302,544
Prepaid lease payments	<b>2,722</b>	2,894
Amounts due from shareholders of subsidiaries	<b>6,328</b>	21,049
Tax recoverable	<b>103</b>	–
Deposits placed in financial institutions	–	297
Bank balances and cash	<b>119,043</b>	119,131
	<b>750,854</b>	935,219
Current liabilities		
Trade and bills payables	<b>310,911</b>	391,443
Other payables	<b>64,186</b>	73,218
Sales deposits received	<b>97,702</b>	94,623
Amount due to immediate holding company	<b>17,406</b>	15,639
Tax liabilities	–	1,904
Bank and other borrowings – due within one year	<b>78,750</b>	120,400
Loans from ultimate holding company	<b>70,000</b>	230,000
Termination benefits	<b>6,857</b>	10,340
	<b>645,812</b>	937,567
Net current assets (liabilities)	<b>105,042</b>	(2,348)
	<b>810,147</b>	790,760

	<b>2010</b> <b><i>RMB'000</i></b>	<b>2009</b> <b><i>RMB'000</i></b>
Capital and reserves		
Share capital	<b>422,000</b>	422,000
Reserves	<b>318,271</b>	286,677
	<hr/>	<hr/>
Equity attributable to owners of the Company	<b>740,271</b>	708,677
Non-controlling interests	<b>20,842</b>	25,175
	<hr/>	<hr/>
Total equity	<b>761,113</b>	733,852
	<hr/>	<hr/>
Non-current liabilities		
Bank and other borrowings – due after one year	<b>9,000</b>	18,000
Loans from ultimate holding company	<b>9,619</b>	10,500
Termination benefits	<b>21,897</b>	25,603
Deferred income	<b>8,518</b>	2,805
	<hr/>	<hr/>
	<b>49,034</b>	56,908
	<hr/>	<hr/>
	<b>810,147</b>	790,760
	<hr/> <hr/>	<hr/> <hr/>



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company							Retained profits (accumulated losses)	Total	Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	General reserve fund	Enterprise expansion fund	Discretionary surplus reserve				
	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 2009	422,000	435,834	51,306	151,280	1,717	3,845	42,979	(226,610)	882,351	30,688	913,039
Loss and total comprehensive loss for the year	-	-	-	-	-	-	-	(173,674)	(173,674)	(5,513)	(179,187)
Transfer (Note)	-	-	-	(151,280)	-	-	-	151,280	-	-	-
At 31 December 2009	422,000	435,834	51,306	-	1,717	3,845	42,979	(249,004)	708,677	25,175	733,852
Profit (loss) and total comprehensive income (loss) for the year	-	-	-	-	-	-	-	30,231	30,231	(2,809)	27,422
Acquisition of additional interest in a subsidiary	-	-	1,363	-	-	-	-	-	1,363	(1,506)	(143)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(18)	(18)
	-	-	1,363	-	-	-	-	-	1,363	(1,524)	(161)
At 31 December 2010	422,000	435,834	52,669	-	1,717	3,845	42,979	(218,773)	740,271	20,842	761,113

Note:

During the year ended 31 December 2009, pursuant to relevant regulations of the rules in respect of the General Meeting of Listed Companies issued by the China Securities Regulatory Commission and the Articles of Association of the Company, the Board of Directors passed resolution to transfer the statutory surplus reserve to offset the accumulated losses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(Prepared under Hong Kong Financial Reporting Standards)*

*For the year ended 31 December 2010*

## 1. BASIS OF PREPARATION

The consolidated financial statement has been prepared in accordance with the Hong Kong Financial Reporting Standard, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statement includes applicable disclosures required in the Rules Governing the Listing of Securities on The Stock Exchange and Hong Kong Company Law.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”)

During the year, the Group has applied the following new and revised interpretations (“new and revised HKFRSs”) issued by HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRS
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – INT 17	Distribution of Non-cash Assets to Owners
HK-Interpretation (“Int”) 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

*HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements*

The Group adopted HKFRS 3 (Revised) Business Combinations and applies it to business combinations for which the acquisition date is on or after 1 January 2010. Meanwhile, the Group also adopted HKAS 27 (Revised) Consolidated and Separate Financial Statements and all increases or decreases in such interests that do not result in the Group losing control over the subsidiaries are dealt with in equity.

As there was no transaction during the current year in which HKFRS 3(Revised) and HKAS 27 (Revised) are involved, the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current year or prior years.

Results of the Group in future periods, may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28 <sup>1</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>5</sup>
HKFRS 7 (Amendments)	Disclosures –Transfers of Financial Assets <sup>5</sup>
HKFRS 9	Financial Instruments <sup>7</sup>
HKAS 12 (Amendment)	Deferred Tax : Recovery of Underlying Assets <sup>6</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>2</sup>
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The directors of the Company anticipate that the application of other new and revise standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

### 3. TURNOVER

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

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Sales of offset press	431,054	448,573
Sales of gravure press	299,370	233,438
Sales of business form machine	44,800	26,686
Others	30,364	44,652
	<hr/>	<hr/>
Total sales	805,588	753,349
Less: sales tax and other surcharges	(5,564)	(4,965)
	<hr/>	<hr/>
	<b>800,024</b>	<b>748,384</b>
	<hr/> <hr/>	<hr/> <hr/>

#### 4. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the Board of Directors, being the chief operating decision maker for the purpose of resource allocation and performance assessment, is more specifically focused on the types of printing presses supplied and services provided by the Group's operating divisions. The principal categories of printing presses supplied are offset press, gravure press and business form machine. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

Sales of offset press	–	Manufacturing and sales of presses for printing double-side color or monochrome books, periodicals and other printing materials
Sales of gravure press	–	Manufacturing and sales of presses for printing packaging and folding cartons for food and beverage, cleaning supplies and health products
Sales of business form machine	–	Manufacturing and sales of machines for printing and processing various forms of paper, such as invoices, bar codes, leaflets and lottery tickets
Others	–	Sales of spare parts and provision of printing services

#### Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

#### For the year ended 31 December 2010

	Sales of offset press <i>RMB'000</i>	Sales of gravure press <i>RMB'000</i>	Sales of business form machine <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
TURNOVER						
External sales	427,107	297,945	44,732	30,240	–	800,024
Inter-segment sales	5,439	–	–		(5,439)	–
Total	<u>432,546</u>	<u>297,945</u>	<u>44,732</u>	<u>30,240</u>	<u>(5,439)</u>	<u>800,024</u>
Segment (loss) profit	<u>(122,370)</u>	<u>13,351</u>	<u>(11,407)</u>	<u>1,691</u>		(118,735)
Share of profit of Associates						466
Unallocated corporate income						176,004
Unallocated corporate expenses						(6,792)
Finance costs						(18,022)
Profit before taxation						<u>32,921</u>

For the year ended 31 December 2009

	Sales of offset press <i>RMB'000</i>	Sales of gravure press <i>RMB'000</i>	Sales of business form machine <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
<b>TURNOVER</b>						
External sales	445,143	232,125	26,686	44,430	—	748,384
Inter-segment sales	2,900	—	—	5,999	(8,899)	—
	<u>448,043</u>	<u>232,125</u>	<u>26,686</u>	<u>50,429</u>	<u>(8,899)</u>	<u>748,384</u>
Total	<u>448,043</u>	<u>232,125</u>	<u>26,686</u>	<u>50,429</u>	<u>(8,899)</u>	<u>748,384</u>
Segment loss	<u>(128,066)</u>	<u>(5,610)</u>	<u>(3,641)</u>	<u>(20,480)</u>	—	(157,797)
Share of profit of associates						622
Unallocated corporate income						1,078
Unallocated corporate expenses						(3,606)
Finance costs						<u>(19,956)</u>
Loss before taxation						<u>(179,659)</u>

## Segments assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

### *Segment assets*

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Sales of offset press	1,100,888	1,144,165
Sales of gravure press	106,587	252,683
Sales of business form machine	22,364	47,011
Others	88,379	141,412
	<hr/>	<hr/>
Total segment assets	1,318,218	1,585,271
Unallocated corporate assets	137,741	143,056
	<hr/>	<hr/>
Consolidated assets	<u>1,455,959</u>	<u>1,728,327</u>

### *Segment liabilities*

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Sales of offset press	264,391	368,016
Sales of gravure press	176,061	157,861
Sales of business form machine	26,624	19,344
Others	51,237	68,450
	<hr/>	<hr/>
Total segment liabilities	518,313	613,671
Unallocated corporate liabilities	176,533	380,804
	<hr/>	<hr/>
Consolidated liabilities	<u>694,846</u>	<u>994,475</u>

## Other segment information

For the year ended 31 December 2010

	Sales of offset press <i>RMB'000</i>	Sales of gravure press <i>RMB'000</i>	Sales of business form machine <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Amounts included in the measure of segment loss or segment assets:					
Addition to non-current assets	303	7,486	53	281	8,123
Depreciation and amortisation	28,039	10,263	982	609	39,893
Allowance for trade and other receivables	9,469	649	6,523	–	16,641
Allowance for (reversal of) obsolete inventories	51,098	(1,969)	6,437	1,903	57,469
Gain on disposal of property, plant and equipment	(1,482)	(12)	–	(43)	(1,537)
Gain on disposal of investment properties	(1,342)	–	–	–	(1,342)
Impairment loss recognised in respect of PPE	–	–	–	–	–
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment loss or segment assets:					
Interests in associates	15,854	–	–	–	15,854
Share of profit of associates	(466)	–	–	–	(466)
Interest income	(857)	(90)	(70)	–	(1,017)
Interest expense	12,217	4,929	876	–	18,022
Tax expense	5,499	–	–	–	5,499



For the year ended 31 December 2009

	Sales of offset press <i>RMB'000</i>	Sales of gravure press <i>RMB'000</i>	Sales of business form machine <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Amounts included in the measure of segment loss or segment assets:					
Addition to non-current assets	1,292	3,255	21	–	4,568
Depreciation and amortisation	36,509	6,632	1,153	4,121	48,415
Impairment loss recognised in respect of PPE	–	–	–	290	290
Allowance for trade and other receivables	768	713	422	–	1,903
(Reversal of) allowance for obsolete inventories	(10,000)	(4,417)	6	455	(13,956)
(Gain) loss on disposal of property, plant and equipment	(1,059)	298	(29)	25	(765)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment loss or segment assets:					
Interests in associates	15,388	–	–	–	15,388
Share of profit of associates	(622)	–	–	–	(622)
Interest income	(360)	(62)	(21)	(4)	(447)
Interest expense	13,427	5,311	1,202	16	19,956
Tax (credit) expennse	(321)	402	(190)	(363)	(472)

### Geographical information

The Group's operations are located in the PRC with customers located in the PRC, East Asia other than the PRC, South America, North America, Europe, Africa and other parts of the world.

The Group's turnover from operations from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Turnover from external customers		Non-current assets	
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
PRC	751,658	711,874	702,364	784,868
East Asia other than the PRC	30,154	29,276	–	–
South America	7,724	6,678	–	–
North America	10,488	258	–	–
Europe	–	298	–	–
	<b>800,024</b>	<b>748,384</b>	<b>702,364</b>	<b>784,868</b>

## Information about major customers

There is no customer contributing over 10% of the total turnover of the Group for both years.

## 5. OTHER OPERATING INCOME

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Gross rental income from investment properties	2,140	2,140
Gross rental income from prepaid lease payments	2,846	2,846
Gross rental income from property, plant and equipment	1,720	4,174
Gain on disposal of property, plant and equipment	1,537	765
Gain on disposal of investment properties	1,342	—
Government grants ( <i>Note</i> )	9,537	8,332
Government grants released from deferred income	796	761
Interest income on bank deposits	1,017	447
Profit from sales of scrap materials	2,352	1,121
Relocation compensation income	4,661	—
Others	4,972	3,220
	<u>32,920</u>	<u>23,806</u>

*Note:*

Government grants include (i) employment stabilisation and social security subsidies granted to the Group by The Beijing Municipal Human Resources and Social Security Bureau and (ii) funds received from local government authorities for research and development etc.

Outgoings of RMB518,000 (2009: RMB518,000) were incurred resulting in net rental income of RMB1,622,000 (2009: RMB1,622,000)

## 6. FINANCE COSTS

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Interest on bank and other borrowings wholly repayable within five years	18,004	19,911
Interest on discounted bills	18	45
	<u>18,022</u>	<u>19,956</u>

## 7. TAXATION

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
The taxation comprises:		
PRC Enterprise Income Tax		
Over provision in prior years	—	(884)
Deferred tax		
Current year	<u>5,499</u>	<u>412</u>
	<u><b>5,499</b></u>	<u><b>(472)</b></u>

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, except for Shaanxi Beiren Printing Machinery Company Limited ("Shaanxi Beiren"), the tax rate of the Company and its PRC subsidiaries is 25% for both years.

According to document (Guoshuifa [2002] 47) and document (Caishuizi [2009] 21) "Notice of Application of Transitional Preferential Policy on Enterprise Income Tax" issued by the State Administration of Taxation on 10 May 2002 and 4 February 2009 respectively, the applicable income tax rate of Shaanxi Beiren is 15%. In addition, Shaanxi Beiren was recognised as high technology enterprise on 11 December 2008 and therefore is entitled to a preferential tax rate of 15% for three years, with effective from 1 January 2009.

No provision for Hong Kong profits tax had been made during 2009 and 2010 as there was no assessable profit for the subsidiary operating in Hong Kong.

## 8. PROFIT (LOSS) FOR THE YEAR

	2010 RMB'000	2009 RMB'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Depreciation and amortisation		
– Property, plant and equipment and investment properties	37,171	45,520
– Prepaid lease payments	2,722	2,895
Total depreciation and amortisation	39,893	48,415
Staff costs including directors' emoluments		
– Wages and salaries	159,212	178,993
– Retirement benefits scheme contributions	21,611	22,483
– Termination benefits	6,561	7,276
	187,384	208,752
Allowance for trade and other receivables, net (included in administrative expenses)	16,641	1,903
Allowance for (reversal of allowance for) obsolete inventories (included in cost of sales)	57,469	(13,956)
Research and development expenses	24,297	35,321
Auditor's remuneration	1,050	1,150
Net foreign exchange losses	244	12
Impairment loss recognised in respect of property, plant and equipment	–	290
Share of taxation of associates (included in share of results of associates)	35	68
Cost of inventories recognised as an expense	668,504	738,404

## 9. DIVIDEND

No dividend was paid or proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

## 10. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share attributable to the owners of the Company is based on the profit for the year attributable to the owners of the Company of approximately RMB30,231,000 (2009: loss for the year of approximately RMB173,674,000) and the weighted average number of 422,000,000 (2009: 422,000,000) ordinary shares in issue during the year.

The diluted earnings (loss) per share is equal to the basic earnings (loss) per share as calculated above as the Company did not have any potential shares outstanding for the two years ended 31 December 2010.

## 11. TRADE AND OTHER RECEIVABLES

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Trade receivables	309,402	345,415
Less: allowance for trade receivables	(106,291)	(90,247)
	<u>203,111</u>	<u>255,168</u>
Other receivables	21,412	27,279
Less: allowance for other receivables	(6,691)	(15,211)
	<u>14,721</u>	<u>12,068</u>
Bills receivables	35,415	16,708
Prepayments and deposits	19,783	18,600
	<u></u>	<u></u>
Total trade and other receivables	<u><u>273,030</u></u>	<u><u>302,544</u></u>

The following is an aged analysis of trade receivables and bill receivables net of allowance for doubtful debts presented based on the invoice at the reporting date.

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Within 1 year	182,332	195,587
1 – 2 years	38,334	54,167
2 – 3 years	17,753	21,974
Over 3 years	107	148
	<u>238,526</u>	<u>271,876</u>

## 12. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables based on the invoice date at the end of the reporting period:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Within 1 year	239,934	292,592
1 – 2 years	66,476	92,370
2 – 3 years	1,366	4,734
Over 3 years	3,135	1,747
	<u>310,911</u>	<u>391,443</u>

The Board of Directors of  
**Beiren Printing Machinery Holdings Limited**  
17 March 2011

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Zhao Guorong as non-executive director, Mr. Zhang Peiwu 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.*