

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.



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)

2011 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, full text of which is published on www.sse.com.cn. Investors are advised to read the full text of the annual report for detailed information.

- 1.2 There were eight directors of the Company eligible for attending the meeting, seven of them attended the meeting. Ms. Wei Li, one of the Directors were absent from the meeting due to business engagements and authorized Mr. Li Shenggao be her proxy to vote on her behalf.
- 1.3 Shinewing Certified Public Accountants has issued an audit report without qualified opinion for the Company.
- 1.4 Zhang Peiwu, the Person-in-charge of the Company, Jiang Chi, the Accounting Director and Qin Yu, 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

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	beirengf@beirengf.com	beirengf@beirengf.com

3 SUMMARY OF ACCOUNTING AND OPERATIONAL DATA

3.1 Key Financial Data

Unit: RMB

	2011	2010	Changes over the same period of the preceding year (%)	2009
Income from principal operations	803,873,926.57	821,357,719.69	-2.13	767,668,587.26
Operation income	<u>-29,435,424.59</u>	<u>9,331,102.58</u>	<u>-415.45</u>	<u>-190,596,068.45</u>
Total profit	13,659,848.54	24,969,577.41	-45.29	-179,989,911.27
Net profit attributable to shareholders of listed company	11,382,900.84	22,279,381.53	-48.91	-174,004,582.85
Net profit attributable to shareholders of listed company after extraordinary items	-30,853,075.37	-166,002,789.76	81.41	-184,816,789.84
Net cash flow from operating activities	-20,898,129.06	6,517,405.27	-420.65	120,659,594.60
	As at the end of 2011	As at the end of 2010	Changes from the end of 2010 to the end of 2011 (%)	As at the end of 2009
Total asset	1,485,441,846.03	1,457,360,678.14	1.93	1,737,782,547.50
Total liabilities	710,699,175.44	696,247,855.87	2.08	994,473,594.68
Equity attributable to equity holders of the listed company	756,382,308.67	744,999,407.83	1.53	722,862,519.49
Total capital	422,000,000.00	422,000,000.00	0.00	422,000,000.00

3.2 Major financial indicators

<i>Unit: RMB</i>				
	2011	2010	Changes from the end of 2010 to the end of 2011 (%)	2009
Basic earnings per share (RMB/share)	0.03	0.05	-40.00	-0.41
Diluted earnings per share (RMB/share)	0.03	0.05	-40.00	-0.41
Earnings per share calculated with the latest capital (RMB/share)	N/A	N/A	N/A	N/A
Basic earnings per share after extraordinary items (RMB/share)	-0.07	-0.39	82.05	-0.44
Returns on net assets on weighted average basis (%)	1.52	3.04	-1.52%	-21.49
Return on net assets on weighted average basis after extraordinary items (%)	-4.11	-22.62	+18.51%	-22.82
Net cash flow per share from operating activities (RMB/share)	-0.05	0.02	-350.00	0.29
	As at the end of 2011	As at the end of 2010	Changes from the end of 2010 to the end of 2011 (%)	As at the end of 2009
Net asset per share attributable to shareholders of listed company (RMB/share)	1.79	1.77	1.13	1.71
Gearing ratio (%)	47.84	47.77	+0.07%	57.23

3.3 Deducting extraordinary items

✓ Applicable ☐ Not Applicable

Extraordinary items	Amount of 2011	Amount of 2010	Unit: RMB
			Amount of 2009
Profit and loss from disposal of non-current assets	14,958,555.12	4,279,750.48	764,693.49
Government subsidy accounted into profit and loss for the current period (except for those closely associated with the ordinary operations of the Company which were accounted for in certain standard amount or volume in compliance with the requirement of the policies of the State and in accordance with uniform standard of the state)	2,615,267.06	9,675,745.75	8,435,792.39
Profit and loss from debt restructuring	96,281.69	1,583,495.15	22,577.81
Reversal of impairment allowances for receivables individually tested for impairment		1,161,100.00	764,232.29
Other net non-operating income/ expenses save for the above	25,425,169.26	99,483.45	1,383,093.49
Transfer of the profits and loss from long-term equity investment		172,039,266.78	630,814.67
Effect of one-off adjustment made on the current profits and loss in accordance with the requirements of the taxation and accounting laws and regulations			-456,479.58
Effect on minority interests	859,296.92	556,670.32	732,517.57
Total	42,235,976.21	188,282,171.29	10,812,206.99

4 MOVEMENT OF SHAREHOLDERS' EQUITY AND INFORMATION OF SHAREHOLDERS

4.1 Statement of changes in share capital

	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				0	0	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.

4.2 Particulars of top 10 shareholders and top 10 shareholders not subject to trading moratorium

<i>Unit: Share</i>			
Total number of shareholders at the end of 2011:	17,159 (including: 17,075 A share holders and 84 H share holders)	Total number of shareholders at the end of a month prior to the publishing of annual report	17,581 (including 17,497 A share holders and 84 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	0	0	Nil
HKSCC NOMINEES LIMITED	unknown	23.35	98,543,199	234,000	0	unknown
CITIC Trust Co., Ltd – 0808 Quanpei 03	unknown	0.72	3,021,542	3,021,542	0	unknown
China Foreign Economic and Trade Trust Co. Ltd. – Guomiao Phase 1 Trust Scheme	unknown	0.54	2,296,800	2,296,800	0	unknown
Rising Securities Co., Ltd.	unknown	0.33	1,389,772	-1,014,133	0	unknown
Beijing Tonglong Investment Consulting Co., Ltd.	unknown	0.31	1,290,551	1,290,551	0	unknown
Zhan Chunxin	unknown	0.21	900,000	900,000	0	unknown
Wu Zhiqiang	unknown	0.19	820,000	0	0	unknown
Tao Neng	unknown	0.18	748,477	748,477	0	unknown
Tang Binbin	unknown	0.17	736,300	736,300	0	unknown

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

Name of shareholders	Number of circulating shares held	Class of shares	
Beiren Group Corporation	201,620,000	Renminbi ordinary shares	201,620,000
HKSCC NOMINEES LIMITED	98,543,199	Foreign shares listed overseas	98,543,199
CITIC Trust Co., Ltd – 0808 Quanpei 03	3,021,542	Renminbi ordinary shares	3,021,542
China Foreign Economic and Trade Trust Co. Ltd. – Guomiao Phase 1 Trust Scheme	2,296,800	Renminbi ordinary shares	2,296,800
Rising Securities Co., Ltd.	1,389,772	Renminbi ordinary shares	1,389,772
Beijing Tonglong Investment Consulting Co., Ltd.	1,290,551	Renminbi ordinary shares	1,290,551
Zhan Chunxin	900,000	Renminbi ordinary shares	900,000
Wu Zhiqiang	820,000	Renminbi ordinary shares	820,000
Tao Neng	748,477	Renminbi ordinary shares	748,477
Tang Binbin	736,300	Renminbi ordinary shares	736,300

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.

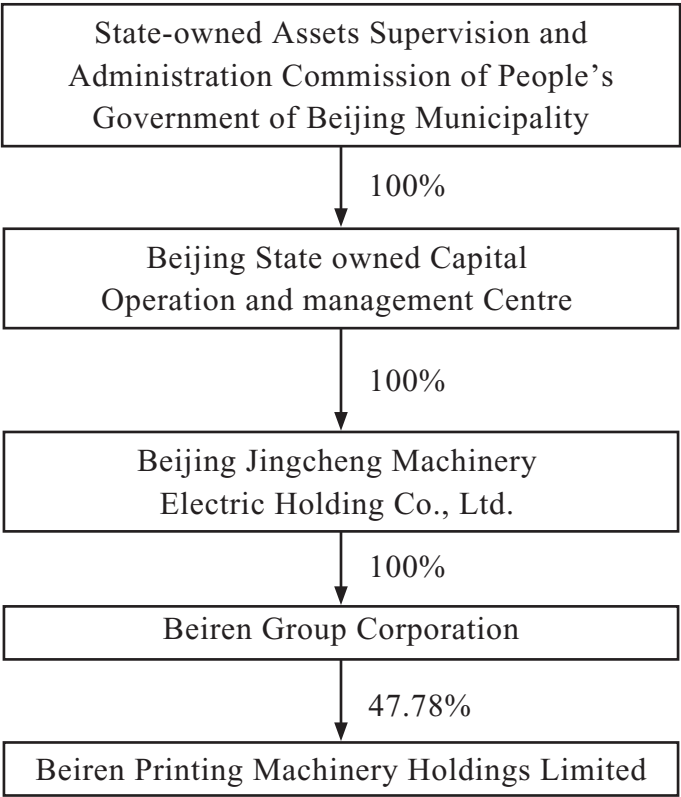
7. Pre-emptive rights

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 2011, the Company did not issue any convertible securities, options, warrants or any other similar right.

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



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
Zhang Peiwu	Chairman and General Manager	Male	48	18 May 2011	18 May 2014	0	0		70.36	No
Teng Mingzhi	Director	Male	39	18 May 2011	18 May 2014	0	0		0	Yes
Li Shenggo	Director	Male	35	18 May 2011	18 May 2014	0	0		0	Yes
Wei Li	Director	Female	49	18 May 2011	18 May 2014	0	0		0	Yes
Xu Wencai	Independent Non-executive Director	Male	54	18 May 2011	18 May 2014	0	0		4	No
Wang Hui	Independent Non-executive Director	Female	50	18 May 2011	18 May 2014	0	0		4	No
Xie Bingguang	Independent Non-executive Director	Male	56	18 May 2011	18 May 2014	0	0		4	No
Wang Deyu	Independent Non-executive Director	Male	37	18 May 2011	18 May 2014	0	0		4	No
Wang Liansheng	Chairman of the Supervisory Committee	Male	53	18 May 2011	18 May 2014	0	0		53.70	No
Guo Xuan	Supervisor	Male	41	18 May 2011	18 May 2014	0	0		19.13	No
Wang Huiling	Supervisor	Female	48	18 May 2011	18 May 2014	0	0		16.88	No
Jiao Ruifang	Secretary to the Board of Directors	Female	34	18 May 2011	18 May 2014	0	0		53.69	No
Kong Dagang	Deputy General Manager	Male	53	18 May 2011	18 May 2014	0	0		53.93	No
Chen Changge	Deputy General Manager	Male	44	18 May 2011	18 May 2014	0	0		38.52	No
Jiang Chi	Chief Account	Female	36	27 October 2011	18 May 2014	0	0		3.31	No
Zhao Gorong	Former Chairman	Male	40	18 May 2011	12 January 2012	0	0		0	Yes
Duan Yuangang	Former Director and Chief Account	Male	37	18 May 2011	27 September 2011	0	0		57.12	No
Wang Bei	Former Director	Female	36	18 May 2011	27 September 2011	0	0		0	Yes
Total	/	/	/	/	/	0	0	/	382.64	/

5.2 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 2011, 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 SFO, 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 2011, 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 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 2011.

5.3 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 Seventh Board of Directors and supervisors of the Seventh Supervisory Committee is for a term commencing from 18 May 2011 to the closure of 2013 annual general meeting.
- (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.

5.4 Changes in Directors, Supervisors and Senior Management of the Company

- (1) The 2010 Annual General Meeting of the Company was held on 18 May 2011. The proposals on the election of the new session of the Board of Directors and the Supervisory Committee were considered. Mr. Zhao Guorong, Mr. Zhang Peiwu, Mr. Teng Mingzhi, Ms. Wang Pei, Mr. Li Shenggao, Ms. Wei Li, Mr. Duan Yuangang, Mr. Xu Wencai, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu were elected as directors of the seventh Board of Directors of the Company, of whom, Mr. Xu Wencai, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu were elected as independent non-executive directors of the seventh Board of Directors of the Company. Mr. Wang Liansheng, Mr. Guo Xuan and Ms. Wang Huiling were elected as supervisors of the seventh Supervisory Committee of the Company.
- (2) Upon the consideration of the first meeting of the seventh Board of Directors of the Company, Mr. Zhao Guorong was elected as chairman of the seventh Board of Directors of the Company. Upon the consideration and approval of the first meeting of the seventh Board of Directors of the Company, as nominated by the Chairman, Mr. Zhang Peiwu was appointed as General Manager of the Company, and Ms. Jiao Ruifang was appointed as the secretary to the Board of the Company. As nominated by the General Manager, Mr. Kong Dagang and Mr. Chen Changge were appointed as Deputy General Managers of the Company, and Mr. Duan Yuangang as Chief Accountant of the Company.
- (3) As nominated by the Board of Directors, and approved unanimously by attending directors, Mr. Zhao Guorong, Mr. Xu Wencai, Mr. Zhang Peiwu, Mr. Teng Mingzhi and Mr. Duan Yuangang were voted as the members of the Strategic Committee of the Board, with Mr. Zhao Guorong as the convenor; Mr. Xu Wencai, Ms. Wang Hui and Ms. Wei Li were voted as the members of the Nomination Committee, with Mr. Xu Wencai as the convenor; Mr. Wang Deyu, Mr. Xie Bingguang and Mr. Li Shenggao were voted as the members of the Audit Committee, with Mr. Wang Deyu as the convenor; Ms. Wang Hui, Mr. Wang Deyu and Mr. Zhao Guorong were voted as the members of Remuneration and Monitoring Committee, with Ms. Wang Hui as the convenor.

The term of appointment for all the above persons is three years from 18 May 2011 to the closing of 2013 annual general meeting.

- (4) On 27 September 2011, due to job transfer, Mr. Duan Yuangang and Ms. Wang Bei resigned tendered their resignation to the Board of the Company to resign from their director posts of the Company respectively. Mr. Duan also resigned as Chief Accountant of the Company.
- (5) On 12 January 2012, due to job changes, Mr. Zhao Guorong tendered his resignation to the Board of the Company, resigning from the positions of Executive Director and Chairman of the Board of the Company.
- (6) On 12 January 2012, the Board considered and passed to elect Mr. Zhang Peiwu as the Chairman of the seventh Board of the Company on the second extraordinary board meeting of the seventh Board of Directors.

6 REPORT OF DIRECTOR

6.1 Management Discussion and Analysis

2011 Review

In 2011, the world economy was affected by both the global economic crisis and the European debt crisis, and the recovery of the economies in developed countries in the Europe and the United States remained weak. Through the implementation of a proactive fiscal policy and a prudent monetary policy, China has dealt with relative appropriately “inflation control, growth securing & structural adjustment”, with the PRC economy showing a good momentum of relatively high growth, the softening of inflation rate and progress in structural adjustment. In 2011, although the printing industry was affected by factors, such as the increase in the raw materials prices, electricity shortage, credit tightening, slow down in trading and the rise in labour cost, the package printing was still the largest and fastest-growing market; Due to the fast development in digital printing and digital transmission technologies, the traditional books and periodicals printing was dragged down with the intensifying industry competition.

During the reporting period, confronted with the critical situations domestically and internationally, the Company further deepened reform, insist on technological innovation, accelerate the adjustment of product mix, strengthened the building of marketing system, enhanced product competitive strengthened and market planning capabilities and established the mechanisms and systems that cater for market demand and the enterprise development; we further deepened the transformation, determined to innovation in management, strengthened finance budgeting management, enhanced the building of quality control system, improved the quality of product services and the enterprise operational efficiency, ensuring the production and operating activities of the enterprise carried on in an orderly manner. During the reporting period, the operating income prepared in accordance with the PRC Accounting Standards was RMB 803,873,900. Net profit attributed to the shareholders of listed company was RMB 11,382,900.

(1) Adherence to technology innovation, accelerated adjustment of product mix and continued enhancement of product competitiveness

During the reporting period, in line with two initiatives in relation to the printing industry during the “Twelfth Five-year Plan” period, the Company made some progress through technology innovation and the adjustment of product mix. The industrialization projects of both digital single paper folio multi-colour offset machine and broad satellite flexo high-speed printing machine were included in the projects supported by the national special funds in relation to 10 projects of two initiatives for strategic new industries; the first green flexo book printing machine was set up in Shanghai; we completed the design of BEIRENB598 book printing machine with a cutting specification of 598mm and achieved sales.

- (2) *Deepening the transformation, establishing the mechanism and system that are suitable to the market needs and corporate development, enhancing basic management and the driving effect of innovation and improving the operational*

During the reporting period, the Company deepened its transformation, defined its direction of development and fulfilled its target responsibility. We set up project teams for process management, quality management, cost management and ERP system application. Through further improving our organizational structure and introducing new means of management, we streamlined and restructured our processes; through improving systems of internal control and risk prevention, we enhanced the level of corporate management, mitigated the risks associated with the Company's operations, and completed the compilation of the Company's internal control evaluation manual, the amendment to the evaluation criteria and the annual internal control self-evaluation.

- (3) *Strengthening building of the marketing system and improving the market planning capability*

During the reporting period, following the market changes, the Company further strengthened its channel management, conducted the agent evaluation, implemented dynamic optimisation management, established an effective system of market analysis and operations, and entered a new era of market-oriented product improvement and technological advancement as well as market-oriented resources allocation. We participated in The 2nd International Printing Technology Exhibition of China (Guangdong), and planned marketing campaigns, including the on-spot product exhibition of BEIERN300 in Taiyuan, receiving good response.

- (4) *Building up supply chain, conducting and developing procurement.*

During the reporting period, the Company engaged itself in transforming values, acting according to the patterns of market economy and raising market-based processing fees to encourage suppliers to deliver quality goods on time; we formulated appraisal and examination scheme for suppliers, realized dynamic management of suppliers and commenced the "dual network expansion" work for major suppliers and important supplies, achieving good results.

- (5) *Strengthening finance, budget and capital management, improve capital utilisation efficiency and ensuring the production and operations of the enterprise were conducted in an orderly manner.*

During the reporting period, the Company focused on the sources of capital, strengthened finance budgeting management, and amended Basic Principles for External Payment to Procurement of the Company; we enhanced the capital management, made great efforts to reduce the working capital used in work in progress and accounts receivables, increased the capital utilisation efficiency, ensuring the production and operations of the enterprise were conducted in an orderly manner.

(6) Highlighting and strengthening quality management work, exercising stringent quality control and implementing quality responsibilities

During the reporting period, the Company organised and completed an internal audit, management review and rectification of its quality system, and successfully approved the ISO9001 quality management system certification; we improved the products quality control points of the Company, raised product quality and reduced quality loss by standardizing the regulations of quality inspection and formulating appraisal rules on the management of suppliers for external procurement.

(7) Pushing forward the remuneration system reform, optimising the Company's human resources structure and establishing reasonable incentive and restriction mechanism

During the reporting period, the Company formulated and implemented the adjustment scheme for the performance-based salary standards of positions, further standardizing the income distribution for the staff and gradually realizing the match between the value of talents and their income; we made our examination system more focused, scientific and effective by the on-going innovation and improving incentive mechanism, to stimulate the enthusiasm and creativity of the staff of different positions; we gave further importance to staff quality training, and increased the investment in staff training.

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	327,543,008.42	275,915,772.60	15.76	-24.01	-27.05	Increase 3.51 percent
Intrusion printers series	363,587,203.39	282,445,229.50	22.32	21.45	24.54	Decrease 1.93 percent
Form presses series	62,445,299.14	52,090,730.64	16.58	39.39	29.24	Increase 6.55 percent
Total	753,575,510.95	610,451,732.74	18.99	-2.79	-5.41	Increase 2.24 percent

6.3 Principal businesses by geographical location

Geographical location	Operating income	Unit: RMB
		Increase/decrease in operating income compared over last year (%)
Domestic	727,443,346.75	-1.52
Overseas	26,132,164.20	-28.48
Total	753,575,510.95	-2.79

6.4 Operation and business performance of major holding subsidiaries

Company name	Nature of business	Main product or service	Registered capital	Asset size	Unit: RMB
					Net profit
Beijing Beiren Fuji Printing Machinery Limited	Manufacture of printing presses	Form presses	42,328,060.26	77,654,116.08	2,043,959.58
Beijing Beiren Jingyan Printing Machine Limited	Parts for printing presses	Paper-feeding machine	21,050,000.00	21,969,233.89	-2,234,124.46
Shaanxi Beiren Printing Machinery Limited	Manufacture of printing presses	Intaglio presses	115,000,000.00	341,967,314.02	11,912,220.31

6.5 Information on major suppliers

			Unit: RMB0'000
Total procurement from the top five suppliers	5,920.11	Percentage accounting for total procurement	9.51%
Total sales from the top five customers	9,842.65	Percentage accounting for total sales	12.54%

6.6 Prospect of the Company's development

(1) Operation plan for the new year

In 2012, the Company will focus on building the production base of multi-color presses and accelerate the pace of the product mix; we will steadily press ahead with “three production bases” and build the supply chain; we will continue to adjust our products according to the needs of the market development, to ensure the competitive strength and higher gross profit margin for our products; we will establish the guidelines “centering around market, leading by the marketing, and securing market with quality”, deploy advantageous resources to the market development, adopt new ways and measures for market development and paid more attention to marketing; we will establish complete and effective internal control system, fully implement budget management, implement target cost management with cost management at the core, continue to strengthen quality management and actively adopt the advanced management means of ERP to improve the overall management level of the Company. It is expected that the sale revenue will be RMB838,140,000.

(2) Has the Company compiled and disclosed the profit forecast for the new year: NO

(3) The invested budget of technical improvement in 2012 is RMB34,977,400, in which the invested budget of new equipment projects is RMB13,168,000, equipment renewal projects is RMB13,276,400, equipment transformation projects is RMB5,430,000, equipment special projects is RMB80,000, environmental protection project is RMB125,000 and relocation project is RMB2,898,000. The purpose for the above investment in technical improvement projects is to boost productivity and product quality as well as lower the operation cost.

6.7 Investment of the Company

1. *Trust Investment and Trust Loan*

(1) *Trust Investment*

The Company did not entrust any entities to make investment during the year.

(2) *Trust Loan*

The Company do not entrust any entities to deal with loan affairs.

2. *Use of capital raised*

During the reporting period, the Company did not use any capital raised or any capital raised in previous period.

3. *Projects financed by non-raised funds*

During the period, the Company did not have any projects financed by non-raised funds.

6.8 Results of Discussion by the Board on the Reasons for and Effects of Changes in the Company's Accounting Policies and Accounting Estimates, Rectification of Significant Accounting Errors, Supplement of Significant Information Omission and Amendment of Results Forecast, and the Accountability Measures and Handling Results Adopted for the Related Persons of Responsibility

During the reporting period, the Company's accounting policies and accounting estimates, rectification of significant accounting errors, supplement of significant information omission and amendment of results forecast, and the accountability measures and handling results adopted for the related persons of responsibility did not have any change.

6.9 Analysis of Financial Status and Business Performance During the Reporting Period

1. *Operating results*

In 2011, total profit of the Company reduced by RMB11,309,700 or 45.29% as compared with the same period last year.

- (1) Operation revenues, operation costs and operation profits were 2.13%, 5.27% and 415.45% lower than the same period of last year respectively.

Of which: Sales of printing machines decreased by 2.57% in 2011 as compared to 2010 and sale profit margin increased by 2.1%, of which the market of single-colour and double-colour offset machine dropped in a magnitude and pace beyond expectation. Sales revenue from offset machine decreased by 24.01%. Sales of pressing machines and form presses machines was thriving with an increased market share and revenue of such machines increased by 21.45% and 39.39% respectively. Gross profit margin of offset machines after excluding extraordinary factors such as agency products was 13.48%, 1.23% higher than that of 2010. While the sales revenue from pressing machines increased by 21.45%, the percentage growth of sale cost was slightly higher than of sales revenue, thus the sales profit margin dropped 1.93% as compared to 2010. The growth of sales revenue from form presses machines increased was higher than that of sales cost, thus sales profit margin increased by 6.55%.

Business tax and surcharge increased by 8.15% over last year. Investment revenue decreased by 99.88% over last year due to the disposal of subsidiaries in the first half while investments decreased by 22.77% over last year with a 85.99% decrease in asset impairment loss.

- (2) Non-operating income increased by 164.83% over last year, mainly attributable to the compensation for the loss of relocation loss of settlement of the fund-raising houses as well as the interruption of production and operation.

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

Total assets value amounted to RMB1,485,441,800 during the reporting period, increased by 1.93% as compared with the beginning of the year, of which accounts receivable decreased by 19.27% and inventory increased by 20.92%. Total liabilities amounted to RMB710,669,200, increased by 2.08% as compared with the beginning of the year, mainly due to increase in short term loans. Total equity interest attributable to shareholders amounted to RMB774,742,700, increased by 1.79% 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

	2011	2010
(1) Assets-liabilities ratio	47.84%	47.77%
(2) Quick ratio	58.14%	59.91%
(3) Liquidity ratio	120.52%	112.85

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 RMB220,000,000, decreased by 57.42% as compared with the beginning of the year. Long-term loan was zero.

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 and fees payable to Stock Exchange and for 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 RMB757,249,000, while cash outflow amounted to RMB778,147,200. Net cash flow during the reporting period from operating activities amounted to RMB-20,898,100.

2. *Cash flows from investment activities*

Cash inflow from investment activities during the reporting period amounted to RMB28,146,300 which was mainly attributable to the disposal of fixed assets. Cash outflow to investment activities amounted to RMB7,460,500, which was mainly used for capital expense on 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 RMB20,685,800.

3. *Cash flows from fund-raising activities*

Cash inflow from fund-raising activities during the reporting period amounted to RMB227,000,000, which was mainly derived from bank loans. Cash outflow from fundraising activities during the reporting period amounted to RMB180,627,000 was mainly for repayment of bank loans and interest. Net cash flow from fund-raising activities for the reporting period amounted to RMB46,373,000.

Net cash flow from operating activities in 2011 decreased by 420.65% over last year, mainly due to a higher amount of cash payments for goods and services acquired. Net cash flow generated from investment decreased by 89.03% over last year mainly attributable to the cash received from disposing of subsidiaries in last year. Net cash flow generated from fund-raising activities decreased by 123.62% over last year, mainly due to the significant decrease in loan borrowed and repayment of debt as compared to last year.

Net cash flow generated from operating activities was RMB-20,898,100. Net profit for the year was RMB13,629,800 mainly attributable to investment activities and fund-raising activities as well as proceeds from disposing of fixed assets and decrease in repayment of loan interests.

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 RMB774,742,700; of which, minority interests amounted to RMB18,360,400; and total liabilities amounted to RMB710,699,200. Total assets amounted to RMB1,485,441,800. As at the end of the year, the Company's gearing ratio was 47.84%.

Capital structure by liquidity

Total current liabilities	RMB677,730,100	Accounting for 45.62% of the capital
Total equity interest	RMB774,742,700	Accounting for 52.16% of the capital of
which: minorities interest	RMB18,360,400	Accounting for 1.24% of the capital

6.12 Contingent Liability

Save for the above mentioned contingent event, as of 31 December 2011, the Company did not have any other significant contingent event.

6.13 Analysis of the Reasons for Major Changes in Overall Financial Position Compared with Last Year

1. Monetary fund increased by 35.97% compared with the beginning of the year, mainly due to the increase in bank borrowings for the year except for the impact of operation activities.
2. Bills receivable decreased by 42.78% compared with the beginning of the year, mainly due to the decrease in bank acceptance bill received by the Company.
3. Accounts receivable decreased by 19.27% compared with the beginning of the year, mainly due to the increase in amount recovered and decrease in sales volume.
4. Prepayment increased by 52.59% compared with the beginning of the year, mainly due to the increase in the number of subsidiaries.
5. Inventories increased by 20.92% compared with the beginning of the year, mainly due to the increase in input based on the market changes.
6. Fixed assets decreased by 7.23% compared with the beginning of the year, mainly due to the demolition of the buildings and structures on land for development by way of fund-raising.
7. Short-term loan increased by 57.42% compared with the beginning of the year, mainly due to the increase in the liquidity borrowed.
8. Salary paid to staff decreased by 22.13% as compared with the beginning of the year, mainly due to no increase in the pension benefit for the year.
9. Tax payable decreased by 146.69% compared with the beginning of the year, mainly due to the decrease in outstanding account of tax payable.
10. Interest payable increased by 463.31% compared with the beginning of the year mainly due to the increase in interests of outstanding bank borrowings.
11. Payables for projects increased by 101.76% as compared with the beginning of the year, mainly due to the newly added funds for two projects.

12. Sales cost decreased by 21.32% as compared to the same period of last year, mainly due to the adjustment to the sale structure of products.
13. Management fee decreased by 19.14% as compared to the same period of last year, mainly due to the decrease in depreciation cost, inventory obsolescence, agency fee and trademark fee.
14. Financial cost decreased by 56.01% as compared the same period of last year, mainly due to the decrease in interests resulting from the impact of borrowing amount and borrowing period.
15. Impairment loss on assets decreased by 85.99% compared with the same period of last year, mainly due to decrease in impairment of account receivables and newly added inventory.
16. Investment revenue decreased by 99.88% compared with the same period of last year, mainly due to the disposal of two subsidiaries.
17. Non-operating income increased by 164.83% compared with the same period of last year, mainly attributable to the compensation for the loss of relocation, settlement, interruption of production and operation.

6.14 Future development of the Company

Outlook for 2012

In 2012, due to the fast development in the emerging mass media, including digital printing and digital transmission technologies and the requirements for green, environmental protection and energy conservation formed in the national “Twelfth Five-year Plan” in relation the printing industry, which enhances the macro control, industry consolidation and the adjustment in industrial structure, it will facilitate the acceleration in the transformation and upgrading of the printing market towards green printing, digital printing and printing digitization process. From the market breakdowns, it can be seen that the development in the books and periodicals printing market is relatively stable and commercial printing and package printing will maintain a double-digit growth, and green and environmental friendly printing will become mainstream.

In 2012, as there are still lots of uncertainties for the world economy, the trend in the strategic adjustment and transformation of the printing industry in China will keep on and on. Due to factors such as the rise in the prices of energy and raw materials, labour cost increase and the intense competition of printing price, the competition in the printing industry will be more intense. Confronted with the fierce competition domestically and internationally and complex and changing economic environment, the Company will focus on deepening the reform, center around speeding up the adjustment, gain traction from technological innovation and targeted at development and improvement. We will actively adjust the product mix, transform the ways

of development, adjust the industrial layout, realize the expansion of scale through market, the introduction of new products through research and development and the increase in efficiency from management, and enhance the printing machines by specialization to enhance the overall enterprise competitiveness.

Key works of the Company in 2012:

1. To maintain on technology innovation, step up efforts in the adjustment of product mix and enhance product competitiveness

Guided by the market demand, we will conduct various technological communication and cooperation at home and abroad, speed up the research and development of new products, improve the level of technique and technology, realize the driving of the market with advanced technology, leading technological development by market and continue to enhance the product competitiveness.

2. To improve the marketing, accelerating market expansion and ensure the fulfilling of sales target

Centered around the market and adhering to the idea of “creating value for customers”, we will actively improve our marketing system and service system, enhance our marketing capabilities, service abilities and the rigorousness and scientificness of our sales plans, try to push forward the added value in our service, maintain our corporate brand and image and facilitate the link between production and sales as well as fast recouping capital; We will strengthen developing market for upgraded products, and make the upgraded products become the Company’s major products; we will try to develop international market, expand the marketing to bring a new growth point of profit for the Company.

3. To strengthen quality management, improve product quality and meet the market demand

The quality management will be placed at an outstanding and important position. We will strengthen the quality management and control, improve quality management system, implement quality responsibility, press ahead with the work of quality project team and regard the improvement of quality as the lifeline for expanding, maintaining and expanding our market.

4. To effectively make full use of resources, push forward building up the supply chain and realize the optimised allocation of resources

We will further effectively make full use of our existing resources, fully integrate our suppliers, optimise the building of supply chains, establish the organizational and operational mode that are suitable to the market competition mechanism, realize the optimised allocation of resources, and ensure the plans are scientific, serious and implementable, to realize the healthy and sustainable development of the enterprise.

5. To speed up adjustment in our organizations, actively push forward the construction of “three bases” and shorten the production cycle

We will speed up upgrading our product mix and optimizing the layout of our industrial structure. We will actively push forward the construction of production bases for single and double colour offset presses, multi-color offset presses and web-fed offset press, shorten the production cycle of our products and quicken our response to market demand.

6. To optimise management mode, exercise stringent management and improve the level of management

We will continue to drive and implement the process management and internal control appraisal, and achieve coordinated development of all systems by efficiently and reasonably applying information platform to improve work efficiency, enhance the level of management, reduce the operating cost and improve the management efficiency and level of scientific management of the Company.

7. To strengthen the capital management and try to lower the production and management costs

We will continue to enhance the enterprise’s cost, capital and overall budget management, establish capital management system and try to lower production and management costs, ensure the capital chain of the Company, improve the capital utilisation efficiency and ensure the match among marketing, production and capital plan.

7 MAJOR EVENTS

7.1 Material Litigation and Arbitration

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

7.2 Events Related to Insolvency and Temporary Delisting or Delisting

During the year, the Company has no events related to insolvency and restructuring.

7.3 The Company’s Interests in Other Listed Companies or Participation in the Equity Interest of Financial Enterprises

During the year, the Company was not interested in other listed companies or participated in the equity interest of financial enterprises.

7.4 Acquisition and Disposal of Assets and Mergers of the Company during the Reporting Period

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

7.5 Material Connected Transactions of the Company During the Reporting Period

(1) Connected Transactions Related to Day-to-day Operation

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		3,372,149.51	100.00	Currency transaction		
Beiren Group Corporation	Parent company	Purchase of goods	Purchase of goods	Agreed price		40,349.64	0.00	Currency transaction		
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Associated company	Purchase of goods	Purchase of goods	Agreed price		2,649,572.64	2.21	Currency transaction		
Beijing Beiyong Casting Company Limited	Associated company	Purchase of goods	Purchase of goods	Agreed price		15,420,400.94	12.89	Currency transaction		
Beijing Monigraf Automations Company Limited	Associated company	Purchase of goods	Purchase of goods	Agreed price		14,452,580.64	12.08	Currency transaction		
Beijing Jingchen Industrial Logistics Limited	Other	Purchase of goods	Purchase of goods	Agreed price		16,732,427.11	13.98	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		29,802.38	1.56	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		117,634.92	6.16	Currency transaction		

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
Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Associated company	Sale of goods	Sale of goods	Agreed price		13,092,177.40	3.42	Currency transaction		
Beijing Monigraf Automations Company Limited	Associated company	Other utility fees such as water, electricity and gas fees (purchase)	Sale of water and electricity	Agreed price		20,216.50	1.06	Currency transaction		
Haimen Beiren Printing Machinery Company Limited	Controlling subsidiary of the parent company	Sale of goods	Sale of goods	Agreed price		917.08	0.00	Currency transaction		
Beijing Jingcheng Industrial Logistics Limited	Other	Sale of goods	Sale of goods	Agreed price		6,443,187.38	28.09	Currency transaction		
Total				/	/	72,371,416.14		/	/	/

(2) *Connected Debts and Liabilities*

<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	-1,793,559.08	0	-20,651,316.66	0
Haimen Beiren Printing Machinery Company Limited	Controlling subsidiary of the parent company	-378,729.71	0	—	—
Beiren Group Corporation	Parent company	-1,629,191.08	0	-1,247,319.56	0
Beijing Beiyong Casting Company Limited	Associated company			394,628.29	2,394,628.29
Beijing Monigraf Automations Company Limited	Associated company	-150,993.00	0	6,078,837.36	9,549,820.51
Global Industrial Supply Co., Ltd.	Other			8,401,959.73	11,029,499.55
Total		-3,952,472.87	0	-7,023,210.84	22,973,948.35
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)					0
Reason for the connected debts and liabilities		Other receivables			

7.6 Material Contracts and their Performance

7.6.1 Custody, Contracting and Leases (which contributes 10% or more of the total profit of the Company for the period)

(1) Custody

During the year, the Company had no custody.

(2) Contracting

During the year, the Company had no contracting.

(3) Leases

Unit: RMB

Lessor	Lessee	Leased Assets	Amount of leased assets	Start date of the lease	End date of the lease	Gain from the lease	Basis of gain from the lease	Impact of gain from the lease on the Company	Connected Transaction	Connection
The Company	Beijing Beiyong Casting Company Limited	Land, Housing	76,389,996.33	1 May 2007	31 December 2011	4,407,064.68	Agreed price	This connected transaction does not damage the interests of the Company and the non-connected shareholders	Yes	Associated company
The Company	Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited	Housing	6,744,716.48	1 May 2007	31 December 2011	5,845,874.25	Agreed Price	This connected transaction does not damage the interests of the Company and the non-connected shareholders	Yes	Associated company

7.6.2 Guarantees

Unit: RMB

Guarantees provided to external parties by the Company (excluding guarantee provided to the controlling subsidiaries)	
Total amount of guarantee provided during the reporting period	0
Total amount of outstanding guarantee as at the end of the reporting period	0
Guarantees provided to the controlling subsidiaries by the Company	
Total amount of guarantee provided to the controlling subsidiaries during the reporting period	1,045
Total amount of outstanding guarantee provided to the controlling subsidiaries as at the end of the reporting period	1,045
Total amount of guarantee granted by the Company (including guarantee provided to the controlling subsidiaries)	
Total amount of guarantee	1,045
Proportion of the total amount of guarantee to the net assets of the Company	1.38%
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 guarantee	0

7.6.3 Asset Management on Trust

During the year, the Company did not have asset management on trust.

7.6.4 Other Material Contracts

During the year, the Company did not have any other material contracts.

7.7 Performance of Undertaking

Undertaking during the period or carried on within the reporting period of the Company or shareholders holding 5% or more of the shares: during the reporting period, the sole shareholder of non-circulating shares of the Company Beiren Group Corporation had completed the performance of the undertakings concerning the Share Segregation Reform.

7.8 Appointment or Dismissal of Accounting Firm

Unit: RMB

Whether to appoint another accounting firm	No
Name of accounting firm (Financial reporting audit)	Current appointment ShineWing Certified Public Accountants
Remuneration of accounting firm	108
Term of audit of accounting firm	5 years
Name of accounting firm (Internal control reporting audit)	BDO China Shu Lun Pan Certified Public Accounts LLP
Remuneration of accounting firm	30
Term of audit of accounting firm	1 year

7.9 The Punishment and Rectification of the Company and Its Directors, Supervisors, Senior Management, Shareholders of the Company and Beneficial Controllers

During the year, the Company and its directors, supervisors, senior management, shareholders of the Company and beneficial controllers were not subject to any investigation, administration punishments and public criticisms by the China Securities Regulatory Commission (“CSRC”) or public reprimand by any stock exchange.

7.10 Receipt of government subsidies

The Company had received product research and development fees and subsidies for disabled staff amounting to RMB2,615,200 from the government.

7.11 During the reporting period, there was no change in respect of the consolidation of subsidiaries.

7.12 As Beijing Mitsubishi Heavy Industries Beiren Printing Machinery Company Limited, an associated company, poorly preformed, the Board decided to liquidate such company during the period. As at the end of reporting period, such company was in liquidation process.

7.13 The applicable enterprise income tax rate for the Company is 25% during the reporting period.

7.14 Audit of financial report for the reporting period by the audit committee

The 2011 Financial Report has been reviewed and confirmed by the audit committee under the Board of Directors of the Company.

7.15 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.

7.16 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 2011.

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

7.18 According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” and the related amendments to the Rules Governing the Listing of Securities (“the Amended Listing Rules”) published by the Stock Exchange in December 2010, Mainland incorporated issuers listed in Hong Kong are allowed to prepare their financial statements as required by the Amended Listing Rules in accordance with China Accounting Standards for Business Enterprises (“China Accounting Standards”), and Mainland audit firms approved by the Ministry of Finance of China (“Ministry of Finance”) and the CSRC are allowed to audit these financial statements in accordance with the China Accounting Standards on Auditing (“China Auditing Standards”). The Company noted that ShineWing Certified Public Accountants (“ShineWing”) is a domestic accounting firm recognized by the Ministry of Finance and CSRC, therefore it was considered and approved in the 2010 Annual General Meeting of the Company to appoint ShineWing as the domestic and oversea auditor of the Company for 2011.

It is the first time to disclose the financial statements in the 2011 Interim Report in compliance with the China Auditing Standards only, while the financial data in the previous financial statements was disclosed in compliance with both the China Auditing Standards and the Hong Kong Financial Reporting Standards. Due to the application of the different reporting standards, certain financial data for 2011 which was disclosed in 2010 Interim Report is not exactly the same as those disclosed in the 2010 Annual Report, the discrepancy, however, is not material.

8 FINANCIAL REPORT

8.1 ShineWing Certified Public Accountants had audited the Financial Report of the Company for 2011 and had issued its standard auditor's report with unqualified opinion.

8.2 Financial Report

THE CONSOLIDATED BALANCE SHEET

31 December 2011

Prepared by: Beiren Printing Machinery Holdings Limited

Items	Amount at the end of the period	Unit: RMB
		Amount at the beginning of the period
Current Assets:		
Cash	161,866,351.06	119,043,008.51
Clearing settlement funds		
Placement with banks and non-financial Institutions		
Tradable financial assets		
Notes receivable	20,263,400.00	35,414,560.16
Accounts receivable	163,969,806.39	203,110,996.56
Advances to suppliers	30,187,908.20	19,783,787.32
Premium receivable		
Reinsurance receivable		
Reinsurance policy reserve receivables		
Interests receivable	113,600.00	
Dividends receivable		
Other accounts receivable	17,583,975.31	18,269,692.57
Buying back the financial assets sold	422,781,854.19	349,628,293.09
Inventory		
Non-current assets maturing within one year		
Other current assets		
Total current assets	816,766,895.15	745,250,338.21

Items	Unit: RMB	
	Amount at the end of the period	Amount at the beginning of the period
Non-current Assets:		
Trust loans and advances		
Financial assets available for sale		
Holding to maturity investment		
Long-term accounts receivable		
Long-term equity investment	15,660,364.86	15,567,084.36
Investment property	6,739,095.77	6,927,332.93
Fixed assets	526,997,541.58	568,054,568.92
Construction in progress	3,179,294.90	2,945,090.11
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	104,020,316.25	106,507,925.87
Development cost		
Goodwill		
Long-term prepayments	9,367,320.00	9,367,320.00
Deferred income tax assets	2,711,017.52	2,741,017.74
Other non-current assets		
Total non-current assets	668,674,950.88	712,110,339.93
Total assets	1,485,441,846.03	1,457,360,678.14

Items	Amount at the end of the period	Amount at the beginning of the period
Current Liabilities:		
Short-term loan	220,000,000.00	139,750,000.00
Borrowed from central bank		
Deposits taking and deposits in peers		
Borrowed funds		
Tradable financial liabilities		
Notes payable	16,950,000.00	14,000,000.00
Accounts payable	272,997,745.92	298,873,675.48
Advances from customers	88,449,580.42	97,701,982.19
Fund from disposal of repurchased financial assets		
Handling fees and commission payable		
Employee benefit payable	39,091,724.51	50,202,158.38
Taxes payable	-4,129,380.97	8,844,991.23
Interests payable	751,944.17	133,487.50
Dividends payable		
Other payables	41,361,493.75	48,964,316.34
Reinsurance payable		
Reserve for insurance policies		
Agent brokerage fee		
Agent underwriting fee		
Non-current liabilities maturing within one year		
Other current liabilities	2,257,016.55	1,906,616.57
Total current liabilities	677,730,124.35	660,377,227.69

Items	Amount at the end of the period	Amount at the beginning of the period
Non-Current Liabilities:		
Long-term loan		18,000,000.00
Bonds payable		
Long-term accounts payable		
Special payable	31,685,168.05	15,704,528.59
Estimated liabilities	567,607.38	592,807.38
Deferred income tax liabilities		
Other non-current liabilities	716,275.66	1,573,292.21
Total non-current liabilities	32,969,051.09	35,870,628.18
Total liabilities	710,699,175.44	696,247,855.87
Owners' Equity (or Shareholders' Equity)		
Paid-in capital (or share capital)	422,000,000.00	422,000,000.00
Capital reserves	522,877,777.87	522,877,777.87
Less: treasury stock		
Special reserves		
Surplus reserves	43,172,707.88	43,172,707.88
General risk reserves		
Undistributed profit	-231,668,177.08	-243,051,077.92
Converted difference in foreign currency statements		
Total shareholders' equity attributed to the parent	756,382,308.67	744,999,407.83
Minority shareholder's equity	18,360,361.92	16,113,414.44
Total owners' equity	774,742,670.59	761,112,822.27
Total liabilities and owners' equity	1,485,441,846.03	1,457,360,678.14

Legal Person:
Zhang Peiwu

Accounting Director:
Jiang Chi

Accounting Manager:
Qin Yu

THE BALANCE SHEET OF THE PARENT

31 December 2011

Prepared by: Beiren Printing Machinery Holdings Limited

Items	Unit: RMB	
	Amount at the end of the period	Amount at the beginning of the period
Current Assets:		
Cash	133,470,663.08	74,222,278.37
Tradable financial assets		
Notes receivable	16,108,400.00	26,668,560.16
Accounts receivable	102,108,162.49	154,601,863.77
Advances to suppliers	2,001,561.11	806,136.63
Interests receivable	343,324.17	
Dividends receivable	113,600.00	
Other accounts receivable	7,085,647.86	9,406,209.57
Inventory	289,129,226.98	231,094,440.03
Non-current assets maturing within one year		
Other current assets	95,000,000.00	
Total current assets	645,360,585.69	496,799,488.53
Non-current Assets:		
Financial assets available for sale		
Holding to maturity investment		
Long-term accounts receivable		
Long-term equity investment	165,473,064.12	165,379,783.62
Investment property	6,739,095.77	6,927,332.93
Fixed assets	406,098,867.03	443,749,651.03
Construction in progress	2,816,487.16	1,580,197.43
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	84,638,825.87	86,668,493.77
Development cost		
Goodwill		
Long-term prepayments	9,367,320.00	9,367,320.00
Deferred income tax assets		
Other non-current assets		
Total non-current assets	675,133,659.95	713,672,778.78
Total assets	1,320,494,245.64	1,210,472,267.31

Items	Amount at the end of the period	Amount at the beginning of the period
Current Liabilities:		
Short-term loan	210,000,000.00	70,000,000.00
Tradable financial liabilities		
Notes payable		
Accounts payable	176,242,675.31	212,325,442.83
Advances from customers	12,730,422.05	8,698,989.63
Employee benefit payable	22,320,919.37	29,469,396.62
Taxes payable	-4,622,406.84	5,563,471.31
Interests payable	751,944.17	133,487.50
Dividends payable		
Other payables	58,521,768.96	60,515,233.00
Non-current liabilities maturing within one year		
Other current liabilities	1,706,815.99	1,356,816.01
Total current liabilities	477,652,139.01	388,062,836.90
Non-Current Liabilities:		
Long-term loan		
Bonds payable		
Long-term accounts payable		
Special payable	25,973,413.38	9,618,808.71
Estimated liabilities	567,607.38	592,807.38
Deferred income tax liabilities		
Other non-current liabilities		656,815.99
Total non-current liabilities	26,541,020.76	10,868,432.08
Total liabilities	504,193,159.77	398,931,268.98
Owners' Equity (or Shareholders' Equity)		
Paid-in capital (or share capital)	422,000,000.00	422,000,000.00
Capital reserves	518,165,762.89	518,165,762.89
Less: treasury stock		
Special reserves		
Surplus reserves	38,071,282.24	38,071,282.24
General risk reserves		
Undistributed profit	-161,935,959.26	-166,696,046.80
Total owners' equity (or shareholders' equity)	816,301,085.87	811,540,998.33
Total liabilities and owners' equity (Or shareholders' equity)	1,320,494,245.64	1,210,472,267.31

Legal Person:
Zhang Peiwu

Accounting Director:
Jiang Chi

Accounting Manager:
Qin Yu

THE CONSOLIDATED INCOME STATEMENT

Jan-Dec, 2011

Items	Amount for the period	Amount for the previous period
1. Total operating income	803,873,926.57	821,357,719.69
Including: operating income	803,873,926.57	821,357,719.69
Interest income		
Premiums earned		
Handling fees and commission		
2. Total operating Cost	833,516,231.66	984,532,372.93
Including: operating cost	640,174,781.71	675,763,338.91
Interest expenses		
Handling fees and commission expenses		
Premiums refunded		
Net payment for claims		
Net reserve for insurance policies		
Bonus paid for insurance policies		
Reinsurance cost		
Tax and additional expense	6,017,580.63	5,564,191.62
Sales expense	59,983,930.02	76,234,466.33
Administration expense	109,017,465.08	134,817,623.08
Financial expense	7,937,550.30	18,043,294.08
Assets impairment losses	10,384,923.92	74,109,458.91
Add: income of fair value change		
(Loss marked “-”)		
Investment income (loss marked “-”)	206,880.50	172,505,755.82
Thereinto: investment income to subsidiaries		
and joint venture		
Exchange gain and loss (loss marked “-”)	206,880.50	466,489.04

Items	Amount for the period	Amount for the previous period
3. Operating profit (loss marked “-”)	-29,435,424.59	9,331,102.58
Add: non-operating income	44,402,275.63	16,766,285.66
Less: non-operating expense	1,307,002.50	1,127,810.83
Thereinto: disposal loss of non-current assets	1,183,716.93	496,899.73
4. Total profit (loss marked “-”)	13,659,848.54	24,969,577.41
Less: income tax expense	30,000.22	5,499,059.02
5. Net profit (loss marked “-”)	13,629,848.32	19,470,518.39
Net profit attributed to the parent’s shareholders	11,382,900.84	22,279,381.53
Minority shareholder’s profit and loss	2,246,947.48	-2,808,863.14
6. Earnings per share:		
(1) Basic earnings per share	0.03	0.05
(2) Earnings per diluted share	0.03	0.05
7. Other comprehensive income		
8. Total comprehensive income	13,629,848.32	19,470,518.39
Total comprehensive income of the parent’s owners	11,382,900.84	22,279,381.53
Total comprehensive income of the minority shareholders	2,246,947.48	-2,808,863.14

Legal Person:
Zhang Peiwu

Accounting Director:
Jiang Chi

Accounting Manager:
Qin Yu

THE INCOME STATEMENT OF THE PARENT

Jan-Dec, 2011

Items	Unit: RMB	
	Amount for the period	Amount for the previous period
1. Operating income	369,919,788.94	444,841,323.34
Less: Operating cost	300,178,592.46	384,570,303.04
Tax and additional expense	4,000,154.61	3,919,871.31
Sales expense	24,818,427.19	39,381,651.43
Administration expense	63,088,452.00	92,964,899.33
Financial expense	2,210,606.58	11,720,401.04
Assets impairment losses	10,039,314.69	64,876,491.11
Add: Income of fair value change (loss marked “-”)		
Investment income (loss marked “-”)	206,880.50	125,610,576.88
Thereinto: Investment income to subsidiaries and joint venture	206,880.50	466,489.04
2. Operating profit (loss marked “-”)	-34,208,878.09	-26,981,717.04
Add: Non-operating Income	39,054,367.19	13,809,278.22
Less: Non-operating Expense	85,401.56	828,099.52
Thereinto: Disposal loss of non-current assets		482,184.12
3. Total profit (loss marked “-”)	4,760,087.54	-14,000,538.34
Less: Income tax expense		
4. Net profit (loss marked “-”)	4,760,087.54	-14,000,538.34
5. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		
6. Other comprehensive income		
7. Total comprehensive income		

Legal Person:
Zhang Peiwu

Accounting Director:
Jiang Chi

Accounting Manager:
Qin Yu

THE CONSOLIDATED CASH FLOW STATEMENT

Jan-Dec, 2011

Items	Unit: RMB	
	Amount for the period	Amount for the previous period
1. Cash flow from Operating Activities:		
Cash receipts from the sale of goods and the rendering of services	698,249,848.82	723,179,036.82
Net increase in customer deposits and interbank placement		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Cash received from premiums of existing insurance policies		
Net cash received from reinsurance business		
Net increase in reserves and investment from policy holders		
Net increase in disposal of held-for-trading financial assets		
Cash received from interests, handling fees and commission		
Net increase in borrowed funds		
Net increase in funds for repurchase of business		
Receipts of taxes and levy refunds	830,970.19	165,759.86
Other cash receipts in operating activities	58,168,213.98	33,485,213.41
Subtotal cash flow-in from operating activities	757,249,032.99	756,830,010.09
Cash payments for goods and services acquired	468,248,461.97	445,848,350.60
Net increase in loans and advances to customers		
Net increase in deposit with central bank and peers		
Cash paid for claims under existing insurance policies		
Cash paid for interests, handling fees and commission		
Cash paid for bonus of insurance policies		
Cash payments to and on behalf of employees	199,598,997.58	194,476,773.15
Payments of taxes and levy	55,884,465.57	65,551,649.89
Other cash payments from operating activities	54,415,236.93	44,435,831.18
Subtotal cash flow-out from operating activities	778,147,162.05	750,312,604.82
Net cash flow from operating activities	-20,898,129.06	6,517,405.27

Items	Amount for the period	Amount for the previous period
2. Cash Flow from Investing Activities:		
Cash receipts from return of investments		4,695,247.90
Cash receipts from investment income		
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets	28,146,285.00	16,427,381.09
Net cash receipts from disposal of subsidiaries and other business units		189,044,834.18
Other cash receipts in investing activities		
Subtotal cash flow-in from investing activities	28,146,285.00	210,167,463.17
Cash payments to acquired fixed assets, intangible assets and other long-term assets	7,460,473.06	2,683,349.37
Cash payments to acquired investments		18,075,270.64
Net increase in secured loans		
Net cash payments for acquisition of subsidiaries or other operating business		
Other cash payments in investing activities		872,485.07
Subtotal cash flow-out from investing activities	7,460,473.06	21,631,105.08
Net cash flow from investing activities	20,685,811.94	188,536,358.09
3. Cash Flow from Financing Activities:		
Cash proceeds from absorbing investment		
Thereinto: cash receipts from absorbing minority shareholders' investment by subsidiary		
Cash receipts from borrowings	227,000,000.00	319,250,000.00
Cash received from bond issuance		
Other cash receipts in financing activities		
Subtotal cash flow-in from financing activities	227,000,000.00	319,250,000.00
Cash repayments of amount borrowed	164,750,000.00	488,400,000.00
Cash payments for distribution of dividends, profits or interest expenses	10,464,595.41	17,887,765.01
Thereinto: subsidiary's payment for minority shareholders' dividend and profit		
Other cash payments in financing activities	5,412,402.69	9,331,111.79
Subtotal cash flow-out from financing activities	180,626,998.10	515,618,876.80
Net cash flow from financing activities	46,373,001.90	-196,368,876.80
4. Effect of exchange rate change on cash and cash equivalent	-74,321.76	-29,151.52
5. Net Increased Cash and Cash Equivalent	46,086,363.02	-1,344,264.96
Add: the Beginning balance of cash and cash equivalent	110,505,385.35	111,849,650.31
6. The Ending Balance of Cash and Cash Equivalent	156,591,748.37	110,505,385.35

Legal Person:
Zhang Peiwu

Accounting Director:
Jiang Chi

Accounting Manager:
Qin Yu

THE CASH FLOW STATEMENT OF THE PARENT

Jan-Dec, 2011

Items	Unit: RMB	
	Amount for the period	Amount for the previous period
1. Cash Flow from Operating Activities:		
Cash receipts from the sale of goods and the rendering of services	352,163,873.07	361,787,537.64
Receipts of taxes and levy refunds	133,002.96	
Other Cash receipts in operating activities	53,395,561.01	19,266,956.45
Subtotal cash flow-in from operating activities	405,692,437.04	381,054,494.09
Cash payments for goods and services acquired	218,969,963.92	217,207,928.17
Cash payments to and on behalf of employees	116,026,278.85	121,582,289.40
Payments of taxes and levy	29,834,371.30	39,069,690.14
Other cash payments from operating activities	47,916,716.56	35,152,105.06
Subtotal cash flow-out from operating activities	412,747,330.63	413,012,012.77
Net cash flow from operating activities	-7,054,893.59	-31,957,518.68
2. Cash Flow from Investing Activities:		
Cash receipts from return of investments		
Cash receipts from investment income		
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets	28,058,355.00	16,185,081.10
Net cash receipts from disposal of subsidiaries and other business units		195,154,423.09
Other cash receipts in investing activities	3,691,381.68	15,122,175.00
Subtotal cash flow-in from investing activities	31,749,736.68	226,461,679.19
Cash payments to acquired fixed assets, intangible assets and other long-term assets	2,050,650.01	338,070.06
Cash payments to acquired investments	95,000,000.00	18,075,270.64
Net cash receipts from disposal of subsidiaries and other business units		
Other cash receipts in investing activities		15,872,485.07
Subtotal cash flow-out from investing activities	97,050,650.01	34,285,825.77
Net cash flow from investing activities	-65,300,913.33	192,175,853.42

Items	Amount for the period	Amount for the previous period
3. Cash Flow from Financing Activities:		
Cash proceeds from absorbing investment		
Cash receipts from borrowings	210,000,000.00	245,000,000.00
Cash received from bond issuance		
Other cash receipts in financing activities		
Subtotal cash flow-in from financing activities	210,000,000.00	245,000,000.00
Cash repayments of amount borrowed	70,000,000.00	405,000,000.00
Cash payments for distribution of dividends, profits or interest expenses	8,324,398.35	12,557,039.90
Other cash payments in financing activities		
Subtotal cash flow-out from financing activities	78,324,398.35	417,557,039.90
Net cash flow from financing activities	131,675,601.65	-172,557,039.90
4. Effect of exchange rate change on cash and cash equivalent	-71,410.02	-7,045.22
5. Net Increased Cash and Cash Equivalent	59,248,384.71	-12,345,750.38
Add: the beginning balance of cash and cash equivalent	74,222,278.37	86,568,028.75
6. The Ending Balance of Cash and Cash Equivalent	133,470,663.08	74,222,278.37

Legal Person:
Zhang Peiwu

Accounting Director:
Jiang Chi

Accounting Manager:
Qin Yu

8.3 Other disclosure information

1. Turnover

Turnover includes the net value of the amount received and receivables from the sales of different kinds of printing machines, sales of spare parts and services provided. Analysis is as follows:

Items	Amount for the period	Amount for the previous period
Sales of hectograph machine	327,543,008.42	431,053,389.36
Sales of intaglio printing machine	363,587,203.39	299,370,754.59
Sales of form machinery	62,445,299.14	44,799,531.00
Sales of spare parts	22,937,152.71	26,471,764.45
Other	8,337,475.07	3,892,154.70
Total sales amount	784,850,138.73	805,587,594.10
Less: sale tax and other additional charges	6,017,580.63	5,564,191.62
Total	778,832,558.10	800,023,402.48

2. Earnings Per Share

Items	Number	Amount for the year	Amount for the previous year
Net profit for equity holders of the Company	1	11,382,900.84	22,279,381.53
Net profit of extraordinary items for equity holders of the Company	2	42,235,976.21	188,282,171.29
Net profit for equity holders of the Company after extraordinary items	3=1-2	-30,853,075.37	-166,002,789.76
Total number of shares at the beginning of the period	4	422,000,000.00	422,000,000.00
Number of shares increased by converting surplus reserve into share capital (I)	5		
Number of shares increased by issuing new shares or shares converted from debentures (II)	6		
Share increase (II) number of months from next month to the end of the reporting period	7		
Number of shares decreased by buyback	8		
Share decrease number of months from next month to the end of the reporting period	9		
Number of shares decreased by shrinking	10		
Number of Months in the reporting period	11	12	12
Outstanding ordinary shares on weighted average basis	$12=4+5+6\times7\div11$ $-8\times9\div11-10$	422,000,000.00	422,000,000.00
Basic earnings per share (I)	$13=1\div12$	0.03	0.05
Basic earnings per share (II)	$14=3\div12$	-0.07	-0.39
Dividends of diluted convertible ordinary shares as expense	15		
Conversion expense	16		
Income tax	17		
Number of ordinary shares increased by warrants, options and convertible bonds on weighted average basis	18		
Diluted earnings per share (I)	$19=[1+(15-16)\times(1-17)]\div(12+18)$	0.03	0.05
Diluted earnings per share (II)	$19=[3+(15-16)\times(1-17)]\div(12+18)$	-0.07	-0.39

3. *Taxation*

Items	Amount for the period	Amount for the previous period
Current enterprise income tax	0.00	0.00
Deferred enterprise income tax	30,000.22	5,499,059.02
Total	30,000.22	5,499,059.02

4. *Dividends*

No dividend was paid or proposed for 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

8.4 There is no change of accounting policy to previous period during the reporting period.

8.5 There has been no correction on accounting errors for previous period during the reporting period.

Chairman: Zhang Peiwu
Beiren Printing Machinery Holdings Limited
15 March 2012

As at the date of this announcement, the Board of the Company comprises Mr. Zhang Peiwu as executive director, Mr. Teng Mingzhi, Mr. Li Shenggao and Ms. Wei Li as non-executive directors and Mr. Xu Wencai, Ms. Wang Hui, Mr. Xie Bingguang and Mr. Wang Deyu as independent non-executive directors.