For the year ended 31st March, 2004
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost.

(c) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(g)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

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1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) **Fixed assets**

(i) Fixed assets are carried in the balance sheets at cost less accumulated depreciation (see note 1(f)) and impairment losses (see note 1(g)), with the exception of properties under development which are stated at cost less impairment losses (see note 1(g)).

(ii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(e) **Leased assets**

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely that the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(g). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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1 **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(e) **Leased assets** *(continued)*

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

(f) **Depreciation**

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives on a straight-line basis starting from the date when the asset is put into effective use as follows:

- leasehold land is amortised on a straight-line basis over the remaining terms of the leases;
- buildings are depreciated on a straight-line basis over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the leases; and
- other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Machinery	10 - 15 years
Tools	10 years
Furniture and fixtures	5 - 10 years
Computer and office equipment	5 - 6 years
Motor vehicles	5 - 6 years

- no depreciation is provided in respect of properties under development.

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1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) **Impairment of assets**

Internal and external sources of information are reviewed at each balance sheet date to identify indications that fixed assets and investments in subsidiaries may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(h) **Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Inventories *(continued)*

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(j) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Income tax *(continued)*

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) **Income tax** *(continued)*

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(k) **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

For the year ended 31st March, 2004
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) **Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added and other sales taxes and is after deduction of any trade discounts.

(ii) Dividends

Dividend income is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(m) **Translation of foreign currencies**

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement, except those arising from the translation at closing rates of the net investment in subsidiaries outside Hong Kong, which are taken directly to the exchange reserve.

The results of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the average exchange rate for the year; balance sheet items are retranslated at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

For the year ended 31st March, 2004
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) **Employee benefits**

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) **Borrowing costs**

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(p) **Related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

For the year ended 31st March, 2004
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1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) **Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen geographical segment information based on the location of assets (being the geographical location of the Group's production facilities) as the primary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and fixed assets. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

2 TURNOVER

The principal activities of the Group are the printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

Turnover represents the invoiced value of goods sold, net of sales tax, returns and discounts.

For the year ended 31st March, 2004
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3 INCOME

	2004	2003
	$'000	*$'000*
(a) Other revenue		
Interest income	**145**	178
Licence fee income	**1,569**	—
Others	**890**	762
	2,604	940

	2004	2003
	$'000	*$'000*
(b) Other net income		
Profit on disposal of fixed assets	**85**	117
Exchange gain	**730**	682
Others	**(76)**	(126)
	739	673

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging:

	2004	2003
	$'000	*$'000*
(a) Finance costs:		
Finance charges on obligations under finance leases	**127**	324
Interest on bank overdrafts and advances repayable within five years	**10,385**	11,168
Total borrowing costs	**10,512**	11,492
Less: Borrowing costs capitalised into properties under development	**—**	(618)
	10,512	10,874

For the year ended 31st March, 2004
(Expressed in Hong Kong dollars)

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION *(continued)*

Profit from ordinary activities before taxation is arrived at after charging *(continued)*:

	2004	2003
	$'000	*$'000*
(b) **Staff costs:** #		
Contributions to defined contribution plan	**2,484**	2,847
Salaries, wages and other benefits	**66,871**	79,699
	69,355	82,546

	2004	2003
	$'000	*$'000*
(c) **Other items:**		
Cost of inventories sold #	**338,247**	352,753
Auditors' remuneration		
- provision for the year	**684**	742
- over-provision in respect of prior years	**(70)**	—
Depreciation #		
- owned assets	**32,183**	27,585
- assets held under finance leases	**1,168**	1,429
Operating lease charges for land and buildings	**539**	550
Relocation costs	**246**	5,871
Provision for bad debts	**1,614**	4,409

Cost of inventories includes $74,262,000 (2003: $82,921,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

For the year ended 31st March, 2004
(Expressed in Hong Kong dollars)

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) **Taxation in the consolidated income statement represents:**

	2004	2003 restated
	$'000	*$'000*
Current tax - Provision for Hong Kong Profits Tax		
Tax for the year	**1,555**	54
Under-provision in respect of prior years	**—**	41
	1,555	95
Current tax - PRC income tax		
Tax for the year	**2,892**	4,183
Over-provision in respect of prior years	**(504)**	—
	2,388	4,183
Deferred tax		
Origination and reversal of temporary differences	**837**	741
Effect of increase in tax rate on deferred tax balances	**—**	1,673
	837	2,414
	4,780	6,692

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

(a) Taxation in the consolidated income statement represents *(continued)*:

In March 2003, the Hong Kong Government announced an increase in the Profits Tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%. This increase is taken into account in the preparation of the Group's 2004 financial statements. Accordingly, the provision for Hong Kong Profits Tax for 2004 is calculated at 17.5% (2003: 16%) of the estimated assessable profits for the year.

Pursuant to the income tax rules and regulations of the PRC, Dongguan New Island Printing Company Limited is liable to PRC income tax at a rate of 27% (2003: 27%). Shanghai New Island Packaging Printing Company Limited ("SNIP") was eligible for a 100% relief from PRC income tax for two years from its first profit-making year of operations and thereafter, it was subject to the PRC income tax at 50% of the standard income tax rate for the following three years. Such tax incentive expired in 2002 which was the fifth year following the first profit-making year. However, SNIP has been granted a 50% relief from PRC income tax for a further three years until the end of 2005. As a result, SNIP is subject to income tax at an effective rate of 13.5% for the year ended 31st March, 2004 (2003: 13.5%).

Pursuant to the rules and regulations of Bermuda, the Company is not subject to any income tax in Bermuda.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2004	2003 restated
	$'000	*$'000*
Profit before tax	**21,763**	17,879
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	**4,268**	4,068
Tax effect of non-deductible expenses	**2,513**	2,513
Tax effect of non-taxable revenue	**(581)**	(1,603)
Effect on deferred tax balances resulting from an increase in tax rate during the year	**—**	1,673
(Over)/under-provision in prior years	**(504)**	41
Tax refund for re-investment of dividends	**(916)**	—
Actual tax expense	**4,780**	6,692

For the year ended 31st March, 2004
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6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2004	2003
	$'000	*$'000*
Fees	**200**	150
Salaries, allowances and benefits in kind	**3,240**	3,240
Retirement scheme contributions	**137**	137
	3,577	3,527

Included in the Directors' remuneration were fees of $150,000 (2003: $150,000) paid to Independent Non-Executive Directors during the year.

The Directors' remuneration is within the following bands:

	2004 Number of directors	2003 Number of directors
Nil to $1,000,000	**8**	8

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, three (2003: three) are Directors whose emoluments are disclosed in note 6. The aggregate of the emoluments of the other two (2003: two) individuals are as follows:

	2004	2003
	$'000	*$'000*
Salaries, allowances and benefits in kind	**1,625**	1,580
Retirement scheme contributions	**24**	24
	1,649	1,604

The emoluments of the above two (2003: two) individuals with the highest emoluments are within the following bands:

	2004 Number of individuals	2003 Number of individuals
Nil to $1,000,000	**2**	2

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of $5,592,000 (2003: $4,459,000) which has been dealt with in the financial statements of the Company.

9 DIVIDENDS

(a) Dividends attributable to the year

	2004	2003
	$'000	*$'000*
Interim dividend declared and paid of 1.0 cent per share (2003: 1.0 cent per share)	**2,225**	2,225
Final dividend proposed after the balance sheet date of 1.5 cents per share (2003: 1.0 cent per share)	**3,338**	2,225
	5,563	4,450

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2004	2003
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.0 cent per share (2003: Nil)	**2,225**	—

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10 EARNINGS PER SHARE

(a) **Basic earnings per share**

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of $16,983,000 (2003 as restated: $11,187,000) and on the number of 222,529,000 (2003: 222,529,000) shares in issue during the year.

(b) **Diluted earnings per share**

There were no dilutive potential shares during 2004 and 2003.

11 CHANGE IN ACCOUNTING POLICY

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1st April, 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised) issued by the Hong Kong Society of Accountants, the Group adopted a new policy for deferred tax as set out in note 1(j). As a result of the adoption of this accounting policy, the Group's profit for the year has been decreased by $837,000 (2003: $2,414,000) and the net assets as at the year end have been decreased by $22,182,000 (2003: $21,345,000).

The new accounting policy has been adopted retrospectively, with the opening balances of retained profits and the comparative information adjusted for the amounts relating to prior periods as disclosed in the consolidated statement of changes in equity.

12 SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of assets is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

No business segment information is presented as all the Group's turnover and operating result are generated from the printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

Geographical segments by the location of assets and by the location of customers

In prior years, the Group's business principally participated in two economic environments classified by the location of assets, i.e. Hong Kong and the other areas of the PRC. During the year ended 31st March, 2003, the Group relocated its production unit in Hong Kong to the PRC. Thereafter, the Group's business participates in only one geographical location classified by the location of assets, i.e. other areas of the PRC.

12 SEGMENT REPORTING *(continued)*

The Group's geographical segments are also classified according to the location of customers. There are five customer-based geographical segments. Hong Kong and other areas of the PRC are major markets for the Group's business.

When presenting information on the basis of geographical segments, segment information is based on the geographical location of assets (being the geographical location of the Group's production facilities) unless otherwise stated. Segment revenue from external customers is further analysed by the geographical location of customers, where the location of customers is different from the location of assets and segment revenue is 10% or more of the Group's total revenue from all external customers.

	Hong Kong		Other areas of the PRC		Inter-segment elimination		Unallocated		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003 restated
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Location of assets										
Revenue from external customers	**—**	166,971	**435,411**	284,559	**—**	—	**—**	—	**435,411**	451,530
Inter-segment revenue	**—**	61,573	**—**	44,970	**—**	(106,543)	**—**	—	**—**	—
Other revenue from external customers	**—**	377	**2,604**	385	**—**	—	**—**	178	**2,604**	940
Total	**—**	228,921	**438,015**	329,914	**—**	(106,543)	**—**	178	**438,015**	452,470
Segment result	**—**	3,582	**36,669**	29,638					**36,669**	33,220
Unallocated operating income and expenses									**(4,394)**	(4,467)
Profit from operations									**32,275**	28,753
Finance costs									**(10,512)**	(10,874)
Income tax									**(4,780)**	(6,692)
Profit attributable to shareholders									**16,983**	11,187
Depreciation and amortisation for the year	**—**	7,823	**33,351**	21,191						

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12 SEGMENT REPORTING *(continued)*

	Hong Kong		Other areas of the PRC		United States		Europe		Other countries		Inter-segment elimination		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003 restated
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Segment assets	**–**	174,664	**581,305**	525,518	**–**	–	**–**	–	**–**	–	**–**	(91,129)	**581,305**	609,053
Unallocated assets													**53,263**	55,660
Total assets													**634,568**	664,713
Segment liabilities	**–**	24,697	**84,592**	172,160	**–**	–	**–**	–	**–**	–	**–**	(91,129)	**84,592**	105,728
Unallocated liabilities													**289,186**	310,155
Total liabilities													**373,778**	415,883
Capital expenditure incurred during the year	**–**	2,150	**26,980**	62,167	**–**	–	**–**	–	**–**	–				

Additional information concerning geographical segments:

	Hong Kong		Other areas of the PRC		United States		Europe		Other countries	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
Revenue from external customers by the location of customers	**126,189**	139,938	**180,923**	175,269	**88,802**	95,106	**17,355**	32,686	**22,142**	8,531

13 FIXED ASSETS

Group

	Land and buildings	Properties under development	Machinery Owned	Machinery Leased	Tools	Furniture and fixtures	Computer and office equipment	Motor vehicles Owned	Motor vehicles Leased	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:										
At 1st April, 2003	254,519	5,392	280,091	17,883	7,647	22,485	19,764	10,730	612	619,123
Additions	4,268	6,943	11,945	—	76	79	2,409	1,260	—	26,980
Disposals	—	—	(362)	—	—	—	(14)	(1,643)	—	(2,019)
Reclassification	4,768	(5,020)	—	—	—	—	252	612	(612)	—
At 31st March, 2004	**263,555**	**7,315**	**291,674**	**17,883**	**7,723**	**22,564**	**22,411**	**10,959**	**—**	**644,084**
Aggregate depreciation:										
At 1st April, 2003	43,891	—	122,820	2,107	4,245	17,680	13,615	6,689	366	211,413
Charge for the year	8,619	—	17,372	1,168	632	1,479	2,510	1,571	—	33,351
Written back on disposal	—	—	(110)	—	—	—	(14)	(1,585)	—	(1,709)
Reclassification	—	—	—	—	—	—	—	366	(366)	—
At 31st March, 2004	**52,510**	**—**	**140,082**	**3,275**	**4,877**	**19,159**	**16,111**	**7,041**	**—**	**243,055**
Net book value:										
At 31st March, 2004	**211,045**	**7,315**	**151,592**	**14,608**	**2,846**	**3,405**	**6,300**	**3,918**	**—**	**401,029**
At 31st March, 2003	210,628	5,392	157,271	15,776	3,402	4,805	6,149	4,041	246	407,710

(a) The analysis of cost of land and buildings is as follows:

	2004	2003
	$'000	*$'000*
Situated in Hong Kong and held under medium term leases	**120,363**	120,363
Situated outside Hong Kong and held under medium term leases	**143,192**	134,156
	263,555	254,519

(b) The Group leases production plant and machinery under finance leases expiring from one to three years. At the end of the lease term, the Group has the option to purchase the plant and machinery at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

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14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2004	2003
	$'000	*$'000*
Unlisted shares, at cost	**82,360**	82,360
Amounts due from subsidiaries	**48,362**	47,252
	130,722	129,612

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation and operation	Particulars of issued capital	Percentage of ownership interest held by company Directly	Indirectly	Principal activities
New Island Printing Company Limited	Hong Kong	2 ordinary shares of $100 each 10,000 non-voting deferred shares of $100 each	—	100	Printing business
Sonic Manufacturing Company Limited	Hong Kong	2 ordinary shares of $100 each 1,000 non-voting deferred shares of $100 each	—	100	Sub-contracting in printing and packaging
Dongguan New Island Printing Company Limited	The PRC	Registered capital of $68,000,000	—	100	Production and distribution of paper products
Shanghai New Island Packaging Printing Company Limited	The PRC	Registered capital of US$5,700,000	—	100	Production and distribution of paper products

14 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Dongguan New Island Printing Company Limited ("DNIP") was set up in 1992 as an equity joint venture between the Company's subsidiary, New Island Printing Company Limited ("NIPCL"), and Dongguan Dalingshan Economic Development Company ("DDEDC") with equity interests of 70% and 30% respectively. Pursuant to the approval letter from Dongguan Municipal Foreign Economic Trade Committee on 28th March, 1996, DNIP became a cooperative joint venture and DDEDC's 30% equity interest was transferred to NIPCL in return for a management fee of RMB300,000 per annum (subject to a 10% increase for each year until 2001 revised to a 6% increase each year thereafter). Following the transfer, DNIP effectively became a wholly owned subsidiary of the Group. DNIP has an operating period of 35 years expiring on 13th March, 2027.

Shanghai New Island Packaging Printing Company Limited ("SNIP") was set up in 1995 as a wholly owned foreign enterprise. SNIP has an operating period of 20 years expiring on 1st March, 2015.

15 INVENTORIES

	Group	
	2004	2003
	$'000	*$'000*
Raw materials	**43,011**	44,462
Work in progress	**32,049**	41,495
Finished goods	**11,991**	12,293
	87,051	98,250

16 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

All trade debtors, prepayments and deposits, apart from deposits of the Group amounting to $174,000 (2003: $210,000), are expected to be recovered within one year.

Included in trade debtors, prepayments and deposits are trade debtors (net of provision for bad debts) with the following ageing analysis:

	Group	
	2004	2003
	$'000	*$'000*
Current	**52,548**	53,901
One to three months overdue	**25,785**	26,810
More than three months overdue	**5,037**	11,001
	83,370	91,712

Debts are due within 30 to 90 days from the date of billing.

17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2004	2003	**2004**	2003
	$'000	*$'000*	***$'000***	*$'000*
Cash at bank and in hand	**53,153**	55,550	**33**	34
Pledged bank deposit #	**(9,353)**	(8,500)	**—**	—
Cash and cash equivalents in the balance sheet	**43,800**	47,050	**33**	34
Bank overdrafts (note 18)	**(274)**	(53,699)		
Cash and cash equivalents in the cash flow statement	**43,526**	(6,649)		

At 31st March, 2004, a bank deposit of RMB10,000,000 (2003: $8,500,000) was pledged as security against banking facilities amounting to RMB10,000,000 (2003: RMB8,500,000), equivalent to $9,353,000 (2003: $7,950,000), extended to the Group. Such facilities were fully utilised at 31st March, 2004.

18 BANK LOANS AND OVERDRAFTS

At 31st March, 2004, the bank loans and overdrafts were repayable as follows:

	Group	
	2004	2003
	$'000	*$'000*
Within one year	**167,113**	213,646
After one but within two years	**59,062**	40,156
After two but within five years	**34,131**	25,807
	93,193	65,963
	260,306	279,609

18 BANK LOANS AND OVERDRAFTS *(Continued)*

At 31st March, 2004, the bank loans and overdrafts were secured as follows:

	Group	
	2004	2003
	$'000	*$'000*
Bank overdrafts		
- secured	**138**	10,234
- unsecured	**136**	43,465
	274	53,699
Bank loans		
- secured	**161,727**	121,422
- unsecured	**98,305**	104,488
	260,032	225,910
	260,306	279,609

Certain banking facilities and loans granted to the Group are secured by mortgages over the Group's land, buildings and machinery and bank deposits pledged with an aggregate carrying value of $226,465,000 (2003: $208,837,000) at 31st March, 2004. Such banking facilities, amounting to $234,192,000 (2003: $188,484,000) were utilised to the extent of $163,904,000 (2003: $151,205,000) at 31st March, 2004.

19 OBLIGATIONS UNDER FINANCE LEASES

At 31st March, 2004, the Group had obligations under finance leases payable as follows:

	2004			2003		
	Present value of the minimum lease payments	**Interest expense relating to future periods**	**Total minimum lease payments**	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Within one year	**2,583**	**22**	**2,605**	4,111	151	4,262
After one year but within two years	**433**	**2**	**435**	2,587	40	2,627
After two years but within five years	**—**	**—**	**—**	433	3	436
	433	**2**	**435**	3,020	43	3,063
	3,016	**24**	**3,040**	7,131	194	7,325

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20 TRADE CREDITORS AND ACCRUED CHARGES

Included in trade creditors and accrued charges are trade creditors with the following ageing analysis:

	Group	
	2004	2003
	$'000	*$'000*
Current	**30,466**	28,296
One to three months overdue	**15,795**	18,775
More than three months overdue	**745**	2,090
	47,006	49,161

21 BILLS PAYABLE

An ageing analysis of bills payable is as follows:

	Group	
	2004	2003
	$'000	*$'000*
Due within one month	**10,726**	13,457
Due after one month but within two months	**6,152**	6,714
Due after two months but within three months	**3,422**	9,526
	20,300	29,697

22 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	Group	
	2004	2003
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**1,555**	54
Provisional Profits Tax paid	**(59)**	(52)
	1,496	2
PRC income tax payable	**2,186**	2,068
	3,682	2,070

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22 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(b) Deferred tax assets and liabilities recognised:

Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation	General provisions	Future benefits of tax losses	Total
	$'000	*$'000*	*$'000*	*$'000*
Deferred tax arising from:				
At 1st April, 2002				
- as previously reported	—	—	—	—
- prior period adjustments	21,408	(625)	(1,852)	18,931
- as restated	21,408	(625)	(1,852)	18,931
Charged/(credited) to consolidated income statement	2,707	77	(370)	2,414
At 31st March, 2003 (restated)	24,115	(548)	(2,222)	21,345
At 1st April, 2003				
- as previously reported	—	—	—	—
- prior period adjustments	24,115	(548)	(2,222)	21,345
- as restated	24,115	(548)	(2,222)	21,345
Charged/(credited) to consolidated income statement	(1,147)	(238)	2,222	837
At 31st March, 2004	**22,968**	**(786)**	**—**	**22,182**

23 SHARE CAPITAL

	2004	2003
	$'000	*$'000*
Authorised:		
380,000,000 shares of $0.1 each	**38,000**	38,000
Issued and fully paid:		
222,529,000 shares of $0.1 each	**22,253**	22,253

24 RESERVES

(a) Group

	Share premium $'000	Exchange reserve $'000	Statutory surplus reserve $'000	Other reserves $'000	Retained profits $'000	Total $'000
At 1st April, 2002						
- as previously reported	37,741	(6,012)	6,929	3,400	195,016	237,074
- prior period adjustments in respect of deferred tax (note 11)	—	—	—	—	(18,931)	(18,931)
- as restated	37,741	(6,012)	6,929	3,400	176,085	218,143
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	(528)	—	—	—	(528)
Transfer	—	—	1,990	156	(2,146)	—
Profit for the year (as restated)	—	—	—	—	11,187	11,187
Dividends declared in respect of the current year (note 9(a))	—	—	—	—	(2,225)	(2,225)
At 31st March, 2003	37,741	(6,540)	8,919	3,556	182,901	226,577
At 1st April, 2003						
- as previously reported	37,741	(6,540)	8,919	3,556	204,246	247,922
- prior period adjustments in respect of deferred tax (note 11)	—	—	—	—	(21,345)	(21,345)
- as restated	37,741	(6,540)	8,919	3,556	182,901	226,577
Dividend approved in respect of the previous year (note 9(b))	—	—	—	—	(2,225)	(2,225)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	(573)	—	—	—	(573)
Transfer	—	—	1,664	960	(2,624)	—
Profit for the year	—	—	—	—	16,983	16,983
Dividends declared in respect of the current year (note 9(a))	—	—	—	—	(2,225)	(2,225)
At 31st March, 2004	**37,741**	**(7,113)**	**10,583**	**4,516**	**192,810**	**238,537**

24 RESERVES *(Continued)*

(a) **Group** *(Continued)*

The exchange reserve has been set up and will be dealt with in accordance with the accounting policy adopted for foreign currency translation (note 1(m)).

According to the prevailing PRC laws and regulations, a wholly-owned foreign enterprise is required to transfer a certain percentage of its profit after taxation to a statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital of the enterprise. The transfer to the reserve has to be made before distribution of dividends to shareholders. The statutory surplus reserve can be used to make good previous years' losses, and are not distributable to shareholders.

Other reserves were set up by the Group's PRC subsidiaries in accordance with their articles of association. The amounts to be transferred to these reserves are determined by the respective board of directors. They can be used to convert into paid-up capital, and are not distributable to shareholders.

(b) **Company**

	Share premium *$'000*	**Contributed surplus** *$'000*	**Retained profits** *$'000*	**Total** *$'000*
At 1st April, 2002	37,741	67,360	4	105,105
Profit for the year (note 8)	—	—	4,459	4,459
Dividend declared in respect of the current year (note 9(a))	—	—	(2,225)	(2,225)
At 31st March, 2003	37,741	67,360	2,238	107,339
At 1st April, 2003	37,741	67,360	2,238	107,339
Dividend approved in respect of the previous year (note 9(b))	—	—	(2,225)	(2,225)
Profit for the year (note 8)	—	—	5,592	5,592
Dividend declared in respect of the current year (note 9(a))	—	—	(2,225)	(2,225)
At 31st March, 2004	**37,741**	**67,360**	**3,380**	**108,481**

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24 RESERVES *(Continued)*

(b) Company *(Continued)*

The application of the share premium account is governed by the Companies Act 1981 of Bermuda (as amended) ("Companies Act").

The excess value of the shares of the subsidiaries acquired pursuant to the Group reorganisation scheme in 1993 over the nominal value of the new shares of the Company issued in exchange is credited to the contributed surplus account. Under the Companies Act and the bye-laws of the Company, the contributed surplus is distributable to shareholders under certain circumstances.

The Company's reserves available for distribution to shareholders at 31st March, 2004 are $70,740,000 (2003: $69,598,000). After the balance sheet date the directors recommend the payment of a final dividend of 1.5 cents (2003: 1.0 cent) per share for the year ended 31st March, 2004. The dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

25 CONTINGENT LIABILITIES

The Company has given guarantees to banks and leasing companies to secure facilities of $406 million (2003: $375 million) granted to subsidiaries, of which $231 million (2003: $252 million) was utilised at 31st March, 2004.

26 COMMITMENTS

At 31st March, 2004, the Group had outstanding commitments in respect of the acquisition of land, plant and machinery of $906,000 (2003: $18,482,000).

27 RETIREMENT SCHEMES

The Group maintains a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Company's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to $20,000 of monthly compensation) and in accordance with the requirements of the Mandatory Provident Fund Scheme Ordinance and related regulations.

Employees of the Group in the PRC are covered by appropriate local retirement schemes pursuant to local labour rules and regulations. The Group's annual contributions to these schemes represent defined contributions, and the Group has no further obligation.

The Group's contributions to the MPF and various PRC schemes for the year of $2,484,000 (2003: $2,847,000) are charged to the income statement.

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28 MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group sold packaging products to companies which are controlled by an Independent Non-Executive Director amounting to $11,598,000 (2003: $11,852,000), under normal commercial terms.

Apart from the above, the Group has not entered into any other material related party transactions during the year.

29 COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of the change in accounting policy for deferred taxation, details of which are set out in note 11.

30 ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company at 31st March, 2004 to be Ka Chau Enterprises (B.V.I.) Ltd, incorporated in the British Virgin Islands.