For the year ended 31st March, 2005
(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 Institute of Certified Public 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 sheet 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.

For the year ended 31st March, 2005
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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.

(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.

For the year ended 31st March, 2005
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Impairment of assets *(continued)*

(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.

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.

For the year ended 31st March, 2005
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

(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.

For the year ended 31st March, 2005
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

(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.

(iv) Licence fee income

Licence fee income is recognised in the income statement in equal instalments over the accounting periods covered by the term of the licence agreement.

For the year ended 31st March, 2005
(Expressed in Hong Kong dollars)

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

(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.

(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.

Subsidiaries in the People's Republic of China ("PRC") participate in the retirement schemes operated by the local authorities for employees in the PRC. Contributions to these schemes are recognised as an expense in the income statement as incurred, except to the extent that they are included in cost of inventories not yet recognised as an expense. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions as stipulated by the regulations of the PRC.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

(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.

For the year ended 31st March, 2005
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1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Segment reporting *(continued)*

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.

3 OTHER REVENUE AND NET (LOSS)/INCOME

	2005	2004
	$'000	*$'000*
(a) Other revenue		
Interest income	**232**	145
Licence fee income	**3,400**	1,569
Others	**1,066**	890
	4,698	2,604

	2005	2004
	$'000	*$'000*
(b) Other net (loss)/income		
(Loss)/gain on disposal of fixed assets	**(364)**	85
Exchange gain	**115**	730
Others	**(39)**	(76)
	(288)	739

For the year ended 31st March, 2005

(Expressed in Hong Kong dollars)

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	2005	2004
	$'000	*$'000*
(a) **Finance costs:**		
Finance charges on obligations under finance leases	**23**	127
Interest on bank overdrafts and advances repayable within five years	**7,950**	10,385
	7,973	10,512

	2005	2004
	$'000	*$'000*
(b) **Staff costs:** #		
Contributions to defined contribution plan	**2,715**	2,484
Salaries, wages and other benefits	**80,547**	66,871
	83,262	69,355

	2005	2004
	$'000	*$'000*
(c) **Other items:**		
Cost of inventories sold #	**382,711**	338,247
Auditors' remuneration		
- provision for the year	**789**	684
- under/(over)-provision in respect of prior years	**81**	(70)
Depreciation #		
- owned assets	**32,948**	32,183
- assets held under finance leases	**1,195**	1,168
Operating lease charges for land and buildings #	**654**	539
Relocation costs	**—**	246
Provision for bad debts	**591**	1,614

Cost of inventories includes $85,594,000 (2004: $74,262,000) relating to staff costs, depreciation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

For the year ended 31st March, 2005
(Expressed in Hong Kong dollars)

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2005	2004
	$'000	*$'000*
Current tax - Provision for Hong Kong Profits Tax		
Tax for the year	**—**	1,555
Under-provision in respect of prior years	**42**	—
	42	1,555
Current tax - PRC income tax		
Tax for the year	**3,970**	2,892
Under/(over)-provision in respect of prior years	**175**	(504)
	4,145	2,388
Deferred tax		
Origination and reversal of temporary differences	**(1,817)**	837
	2,370	4,780

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not have assessable profits for Hong Kong Profits Tax purpose for the year.

Pursuant to the income tax rules and regulations of the PRC, Dongguan New Island Printing Company Limited ("DNIP") is liable to PRC income tax at a rate of 27% (2004: 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 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, 2005 (2004: 13.5%).

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

For the year ended 31st March, 2005
(Expressed in Hong Kong dollars)

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

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

	2005	2004
	$'000	*$'000*
Profit before tax	**6,342**	21,763
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	**898**	4,268
Tax effect of non-deductible expenses	**2,059**	2,513
Tax effect of non-taxable revenue	**(804)**	(581)
Under/(over)-provision in prior years	**217**	(504)
Tax refund for re-investment of dividends	**—**	(916)
Actual tax expense	**2,370**	4,780

6 DIRECTORS' REMUNERATION

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

	2005	2004
	$'000	*$'000*
Fees	**200**	200
Salaries, allowances and benefits in kind	**4,980**	3,240
Retirement scheme contributions	**179**	137
	5,359	3,577

Included in the Directors' remuneration were fees of $125,000 (2004: $150,000) payable to Independent Non-Executive Directors during the year.

Directors' remuneration is within the following bands:

	2005 Number of Directors	2004 Number of Directors
Nil to $1,000,000	**9**	8
$1,500,001 to $2,000,000	**1**	—

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7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, four (2004: three) are Directors whose emoluments are disclosed in note 6. The emoluments of the other one (2004: two) individual are as follows:

	2005	2004
	$'000	*$'000*
Salaries, allowances and benefits in kind	**910**	1,625
Retirement scheme contributions	**12**	24
	922	1,649

The emoluments of the above one (2004: two) individual with the highest emoluments are within the following band:

	2005 Number of individuals	2004 Number of individuals
Nil to $1,000,000	**1**	2

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of $645,000 (2004: a profit of $5,592,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2005	2004
	$'000	*$'000*
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements	**(645)**	5,592
Interim dividends from a subsidiary attributable to the profit of the previous financial year	**2,900**	—
Company's profit for the year (note 23(b))	**2,255**	5,592

For the year ended 31st March, 2005
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9 DIVIDENDS

(a) Dividends attributable to the year

	2005	2004
	$'000	*$'000*
Interim dividend declared and paid of 1.0 cent per share (2004: 1.0 cent per share)	**2,225**	2,225
Final dividend proposed after the balance sheet date of Nil cent per share (2004: 1.5 cents per share)	**—**	3,338
	2,225	5,563

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

	2005	2004
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.5 cents per share (2004: 1.0 cent per share)	**3,338**	2,225

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 $3,972,000 (2004: $16,983,000) and on the number of 222,529,000 (2004: 222,529,000) shares in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential shares during 2005 and 2004.

11 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

As the Group's business participates in only one geographical location classified by the location of assets, i.e. the PRC, no separate geographical segment analysis based on the location of assets is presented.

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. Segment revenue from external customers by the location of customers is analysed as follows:

	2005	2004
	$'000	*$'000*
Hong Kong	**116,934**	126,189
Other areas of the PRC	**182,184**	180,923
United States	**136,636**	88,802
Europe	**14,140**	17,355
Other countries	**21,248**	22,142
	471,142	435,411

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12 FIXED ASSETS

Group

	Land and buildings	Properties under development	Machinery Owned	Machinery Leased	Tools	Furniture and fixtures	Computer and office equipment	Motor vehicles	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:									
At 1st April, 2004	263,555	7,315	291,674	17,883	7,723	22,564	22,411	10,959	644,084
Exchange adjustments	1,224	64	1,114	—	—	31	109	36	2,578
Additions	131	5,345	5,722	—	304	284	2,418	797	15,001
Disposals	(2,518)	—	—	—	—	(11)	(77)	(1,277)	(3,883)
Reclassification	1,014	(1,760)	11,500	(11,500)	—	—	746	—	—
At 31st March, 2005	**263,406**	**10,964**	**310,010**	**6,383**	**8,027**	**22,868**	**25,607**	**10,515**	**657,780**
Aggregate depreciation:									
At 1st April, 2004	52,510	—	140,082	3,275	4,877	19,159	16,111	7,041	243,055
Exchange adjustments	250	—	440	—	—	13	68	28	799
Charge for the year	8,841	—	18,845	1,195	644	704	2,754	1,160	34,143
Written back on disposal	(449)	—	—	—	—	(9)	(77)	(1,243)	(1,778)
Reclassification	—	—	3,053	(3,053)	—	—	—	—	—
At 31st March, 2005	**61,152**	**—**	**162,420**	**1,417**	**5,521**	**19,867**	**18,856**	**6,986**	**276,219**
Net book value:									
At 31st March, 2005	**202,254**	**10,964**	**147,590**	**4,966**	**2,506**	**3,001**	**6,751**	**3,529**	**381,561**
At 31st March, 2004	211,045	7,315	151,592	14,608	2,846	3,405	6,300	3,918	401,029

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

	2005	2004
	$'000	*$'000*
Situated in Hong Kong and held under medium term leases	**117,845**	120,363
Situated outside Hong Kong and held under medium term leases	**145,561**	143,192
	263,406	263,555

(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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13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	2004
	$'000	*$'000*
Unlisted shares, at cost	**82,360**	82,360
Amounts due from subsidiaries	**44,998**	48,362
	127,358	130,722

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 the 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

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13 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 and revised to 6% increase for 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.

14 INVENTORIES

	Group	
	2005	2004
	$'000	*$'000*
Raw materials	**66,851**	43,011
Work in progress	**28,835**	32,049
Finished goods	**10,567**	11,991
	106,253	87,051

15 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

All trade debtors, prepayments and deposits, apart from deposits of the Group amounting to $1,353,000 (2004: $174,000), 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	
	2005	2004
	$'000	*$'000*
Current	**52,071**	52,548
One to three months overdue	**28,000**	25,785
More than three months overdue	**11,844**	5,037
	91,915	83,370

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

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16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*
Cash at bank and in hand	**45,231**	53,153	**35**	33
Pledged bank deposit #	**(9,434)**	(9,353)	**—**	—
Cash and cash equivalents in the balance sheet	**35,797**	43,800	**35**	33
Bank overdrafts (note 17)	**(42,141)**	(274)		
Cash and cash equivalents in the cash flow statement	**(6,344)**	43,526		

At 31st March, 2005, a bank deposit of RMB10,000,000 (2004: RMB10,000,000) was pledged as security against banking facilities amounting to RMB10,000,000 (2004: RMB10,000,000), equivalent to $9,434,000 (2004: $9,353,000), extended to the Group. Such facilities were fully utilised at 31st March, 2005.

17 BANK LOANS AND OVERDRAFTS

At 31st March, 2005, bank loans and overdrafts were repayable as follows:

	Group	
	2005	2004
	$'000	*$'000*
Within one year or on demand	**208,963**	167,113
After one but within two years	**45,404**	59,062
After two but within five years	**8,025**	34,131
	53,429	93,193
	262,392	260,306

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17 BANK LOANS AND OVERDRAFTS *(Continued)*

At 31st March, 2005, bank loans and overdrafts were secured as follows:

	Group	
	2005	2004
	$'000	*$'000*
Bank overdrafts		
- secured	**8,578**	138
- unsecured	**33,563**	136
	42,141	274
Bank loans		
- secured	**114,990**	161,727
- unsecured	**105,261**	98,305
	220,251	260,032
	262,392	260,306

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 $194,815,000 (2004: $226,465,000) at 31st March, 2005. Such banking facilities, amounting to $200,698,000 (2004: $234,192,000) were utilised to the extent of $157,522,000 (2004: $163,904,000) at 31st March, 2005.

The Directors are of the opinion that adequate banking facilities will continue to be made available to the Group to finance its operations in the foreseeable future.

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18 OBLIGATIONS UNDER FINANCE LEASES

At 31st March, 2005, the Group had obligations under finance leases payable as follows:

	2005			2004		
	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	**433**	**4**	**437**	2,583	22	2,605
After one year but within two years	**—**	**—**	**—**	433	2	435
	433	**4**	**437**	3,016	24	3,040

19 TRADE CREDITORS AND ACCRUED CHARGES

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

	Group	
	2005	2004
	$'000	*$'000*
Current	**21,513**	30,466
One to three months overdue	**12,839**	15,795
More than three months overdue	**259**	745
	34,611	47,006

20 BILLS PAYABLE

An ageing analysis of bills payable is as follows:

	Group	
	2005	2004
	$'000	*$'000*
Due within one month	**9,234**	10,726
Due after one month but within two months	**12,294**	6,152
Due after two months but within three months	**16,244**	3,422
	37,772	20,300

21 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	Group	
	2005	2004
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**—**	1,555
Provisional Profits Tax paid	**(2,865)**	(59)
	(2,865)	1,496
PRC income tax payable	**1,827**	2,186
	(1,038)	3,682
Representing:		
Current taxation payable	**1,827**	3,682
Current taxation recoverable	**(2,865)**	—
	(1,038)	3,682

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21 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, 2003	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
At 1st April, 2004	22,968	(786)	—	22,182
Credited to consolidated income statement	(741)	(120)	(956)	(1,817)
At 31st March, 2005	**22,227**	**(906)**	**(956)**	**20,365**

22 SHARE CAPITAL

	2005	2004
	$'000	*$'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

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23 RESERVES

(a) Group

	Share premium $'000	Exchange reserve $'000	Statutory surplus reserve $'000	Other reserves $'000	Retained profits $'000	Total $'000
At 1st April, 2003	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
Dividend 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
At 1st April, 2004	37,741	(7,113)	10,583	4,516	192,810	238,537
Dividend approved in respect of the previous year (note 9(b))	—	—	—	—	(3,338)	(3,338)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	2,149	—	—	—	2,149
Transfer	—	—	2,204	71	(2,275)	—
Profit for the year	—	—	—	—	3,972	3,972
Dividend declared in respect of the current year (note 9(a))	—	—	—	—	(2,225)	(2,225)
At 31st March, 2005	**37,741**	**(4,964)**	**12,787**	**4,587**	**188,944**	**239,095**

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23 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 is 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, 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
At 1st April, 2004	37,741	67,360	3,380	108,481
Dividend approved in respect of the previous year (note 9(b))	—	—	(3,338)	(3,338)
Profit for the year (note 8)	—	—	2,255	2,255
Dividend declared in respect of the current year (note 9(a))	—	—	(2,225)	(2,225)
At 31st March, 2005	**37,741**	**67,360**	**72**	**105,173**

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23 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, 2005 are $67,432,000 (2004: $70,740,000). The Directors do not recommend the payment of a final dividend for the year ended 31st March, 2005. A final dividend of 1.5 cents per share was recommended by the Directors for the year ended 31st March, 2004 after the balance sheet date. The dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

24 CONTINGENT LIABILITIES

The Company has given guarantees to banks and leasing companies to secure facilities of $405 million (2004: $406 million) granted to subsidiaries, of which $266 million (2004: $231 million) was utilised at 31st March, 2005.

25 COMMITMENTS

(a) Capital commitments outstanding at 31st March, 2005 not provided for in the financial statements were as follows:

	Group	
	2005	2004
	$'000	*$'000*
Contracted for	**36,359**	906
Authorised but not contracted for	**—**	—
	36,359	906

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25 COMMITMENTS *(Continued)*

(b) **At 31st March, 2005, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:**

	Group	
	2005	2004
	$'000	*$'000*
Within one year	**411**	—
After one year but within five years	**1,500**	—
After five years	**4,197**	—
	6,108	—

The Group leases a number of properties under operating leases. None of the leases includes contingent rentals.

26 RETIREMENT SCHEMES

The Group maintains a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Company's and employees' 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 $2,715,000 (2004: $2,484,000) are charged to the income statement.

27 MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group sold packaging products to companies which are controlled by a Non-Executive Director amounting to $13,587,000 (2004: $11,598,000), under normal commercial terms.

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

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28 RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005. The Group is in the process of assessing the impact of these new HKFRSs and has so far concluded that the adoption of HKAS 17 "Leases" would have the following significant effects:

The current accounting policy on leasehold land and buildings is set out in notes 1(d) and 1(f). By adoption of HKAS 17, where the land and building elements can be allocated reliably as at inception of the lease, the land element of leasehold land and buildings is treated as an operating lease. Land premiums or other costs of acquiring the leasehold land will be amortised over the term of the lease. Where the land and building elements cannot be allocated reliably as at the inception of the lease, the land and building elements will continue to be treated as finance leases and carried at cost less depreciation and impairment losses.

The Group will be continuing with the assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

29 ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company at 31st March, 2005 to be Ka Chau Enterprises (B.V.I.) Limited, incorporated in the British Virgin Islands.