

# NEW ISLAND PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

## INTERIM REPORT 2005/2006

### CORPORATE INFORMATION

#### EXECUTIVE DIRECTORS

Madam So Chau Yim Ping, JP (*Chairman*)  
Mr. So Wah Sum, Conrad  
Mr. Ho Hing Lim, Peter (*Chief Executive Officer*)

#### NON-EXECUTIVE DIRECTORS

Mrs. Cheong So Ka Wai, Patsy  
Mrs. Fung So Ka Wah, Karen  
Mr. Ting Woo Shou, Kenneth, JP

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Yin Fat, O.B.E., JP  
Mr. Wong Wang Fat, Andrew, O.B.E., JP  
Mr. She Chiu Shun, Ernest

#### COMPANY SECRETARY

Mr. Li Sau Yan, Philip

#### QUALIFIED ACCOUNTANT

Mr. Li Sau Yan, Philip

#### AUDIT COMMITTEE

Mr. Hui Yin Fat, O.B.E., JP  
Mr. Wong Wang Fat, Andrew, O.B.E., JP  
Mr. She Chiu Shun, Ernest  
Mr. Ting Woo Shou, Kenneth, JP

#### REMUNERATION COMMITTEE

Madam So Chau Yim Ping, JP (*Chairman*)  
Mr. Ho Hing Lim, Peter (*Chief Executive Officer*)  
Mr. Hui Yin Fat, O.B.E., JP  
Mr. Wong Wang Fat, Andrew, O.B.E., JP  
Mr. She Chiu Shun, Ernest

#### SOLICITORS

Woo, Kwan, Lee & Lo

#### AUDITORS

KPMG

#### PRINCIPAL BANKERS

BNP Paribas  
The Hongkong and Shanghai Banking  
Corporation Limited  
Wing Hang Bank Limited

#### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

#### HEAD OFFICE

New Island Printing Centre  
38 Wang Lee Street  
Yuen Long Industrial Estate  
New Territories  
Hong Kong

#### HONG KONG SHARE REGISTRARS

Union Registrars Limited  
311-312, Two Exchange Square  
Central  
Hong Kong

## INTERIM RESULTS

The Board of Directors (“the Directors”) of New Island Printing Holdings Limited (“the Company”) announces the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30th September, 2005 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th September, 2005 — Unaudited*

*(Expressed in Hong Kong dollars)*

		Six months ended 30th September,	
	Note	2005 \$'000	2004 \$'000
<b>Turnover</b>	3	<b>286,368</b>	279,758
Cost of sales		(228,690)	(224,340)
		<b>57,678</b>	55,418
Other revenue		<b>1,690</b>	1,671
Other net (loss)/income		(132)	158
Selling and distribution costs		(16,350)	(12,044)
Administrative expenses		(25,455)	(26,869)
Profit from operations		<b>17,431</b>	18,334
Finance costs	4	(6,875)	(3,792)
<b>Profit before taxation</b>	4	<b>10,556</b>	14,542
Income tax	5	(1,433)	(1,856)
<b>Profit attributable to shareholders</b>		<b>9,123</b>	12,686
<b>Proposed interim dividend</b>	6(a)	—	2,225
<b>Earnings per share</b>	7	<b>4.10 cents</b>	5.70 cents

*The notes on pages 7 to 14 form part of this interim financial report.*

**CONSOLIDATED BALANCE SHEET**  
*At 30th September, 2005 — Unaudited*  
*(Expressed in Hong Kong dollars)*

		At 30th September, 2005		At 31st March, 2005 (restated)	
	Note	\$'000	\$'000	\$'000	\$'000
<b>NON-CURRENT ASSETS</b>					
Fixed assets			<b>406,135</b>		350,356
Interest in leasehold land held for own use under operating leases			<b>31,096</b>		31,205
			<b>437,231</b>		381,561
<b>CURRENT ASSETS</b>					
Inventories		<b>81,425</b>		106,253	
Trade debtors, prepayments and deposits	8	<b>145,877</b>		104,413	
Current taxation recoverable		<b>3,819</b>		2,865	
Pledged bank deposit	9	<b>9,615</b>		9,434	
Cash and cash equivalents		<b>25,835</b>		35,797	
		<b>266,571</b>		258,762	
<b>CURRENT LIABILITIES</b>					
Bank loans and overdrafts					
— secured	10	<b>98,126</b>		82,994	
— unsecured	10	<b>126,028</b>		125,969	
Obligations under finance leases	11	<b>—</b>		433	
Trade creditors and accrued charges	12	<b>83,988</b>		56,186	
Bills payable	13	<b>32,458</b>		37,772	
Current taxation payable		<b>816</b>		1,827	
		<b>341,416</b>		305,181	
<b>NET CURRENT LIABILITIES</b>			<b>(74,845)</b>		(46,419)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>362,386</b>		335,142

**CONSOLIDATED BALANCE SHEET***At 30th September, 2005 — Unaudited (Continued)**(Expressed in Hong Kong dollars)*

		At 30th September, 2005		At 31st March, 2005 (restated)	
	Note	\$'000	\$'000	\$'000	\$'000
<b>NON-CURRENT LIABILITIES</b>					
Bank loans					
— secured	10	44,018		40,574	
— unsecured	10	22,875		12,855	
Deferred taxation		20,947		20,365	
			(87,840)		(73,794)
<b>NET ASSETS</b>			<b>274,546</b>		<b>261,348</b>
<b>CAPITAL AND RESERVES</b>					
Share capital	14		22,253		22,253
Reserves	15		252,293		239,095
			<b>274,546</b>		<b>261,348</b>

*The notes on pages 7 to 14 form part of this interim financial report.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 30th September, 2005 — Unaudited**  
*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>Six months ended</b>	
		<b>2005</b>	<b>2004</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Shareholders' equity at 1st April</b>		<b>261,348</b>	<b>260,790</b>
<b>Exchange differences arising on translation of the financial statements of subsidiaries outside Hong Kong</b>	<i>15</i>	<b>4,075</b>	<b>1,700</b>
<b>Gain not recognised in the income statement</b>		<b>4,075</b>	<b>1,700</b>
<b>Dividends approved in respect of the previous year</b>	<i>6(b)</i>	<b>—</b>	<b>(3,338)</b>
<b>Net profit for the period</b>	<i>15</i>	<b>9,123</b>	<b>12,686</b>
<b>Shareholders' equity at 30th September</b>		<b>274,546</b>	<b>271,838</b>

*The notes on pages 7 to 14 form part of this interim financial report.*

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
*For the six months ended 30th September, 2005 — Unaudited*  
*(Expressed in Hong Kong dollars)*

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash generated from/(used in) operations</b>	<b>39,588</b>	<b>(3,766)</b>
<b>Tax paid</b>	<b>(2,817)</b>	<b>(2,351)</b>
<b>Net cash generated from/(used in) operating activities</b>	<b>36,771</b>	<b>(6,117)</b>
<b>Net cash used in investing activities</b>	<b>(67,794)</b>	<b>(8,658)</b>
<b>Net cash generated from/(used in) financing activities</b>	<b>11,991</b>	<b>(22,943)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(19,032)</b>	<b>(37,718)</b>
<b>Cash and cash equivalents at 1st April</b>	<b>(6,344)</b>	<b>43,526</b>
<b>Effect of foreign exchange rates changes</b>	<b>639</b>	<b>363</b>
<b>Cash and cash equivalents at 30th September</b>	<b>(24,737)</b>	<b>6,171</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at bank and in hand	<b>35,450</b>	43,432
Bank overdrafts	<b>(50,572)</b>	(27,827)
	<b>(15,122)</b>	15,605
Pledged bank deposit	<b>(9,615)</b>	(9,434)
	<b>(24,737)</b>	6,171

*The notes on pages 7 to 14 form part of this interim financial report.*

## **NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT**

*(Expressed in Hong Kong dollars)*

### **1. BASIS OF PREPARATION**

This interim financial report has been prepared in accordance with applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 16th December, 2005.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements, except for the accounting policy change that is expected to be reflected in the 2006 annual financial statements. Details of the change in accounting policy are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700, “Engagements to review interim financial reports”, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 15.

The financial information relating to the financial year ended 31st March, 2005 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st March, 2005 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 15th July, 2005.

## **2. CHANGE IN ACCOUNTING POLICY**

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1st January, 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group’s annual financial statements for the year ending 31st March, 2006, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31st March, 2006 may be affected by the issue of additional interpretations or other changes announced by the HKICPA subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group’s financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The adoption of HKAS 17 “Leases” results in a change in accounting policy for leasehold land and buildings held for own use for the annual accounting period beginning on 1st April, 2005 which has been reflected in this interim financial report.

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and accumulated impairment losses. With the adoption of HKAS 17 as from 1st April, 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the cost of the interest in any buildings situated on the leasehold land could be separately identified from the cost of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later. In case the two elements cannot be allocated reliably, the entire lease is classified as a finance lease and carried at cost less accumulated depreciation and accumulated impairment losses.

Any buildings held for own use which are situated on such land leases continue to be presented as part of fixed assets.

The new accounting policy has been adopted retrospectively, with comparative information adjusted for the amounts relating to prior periods. The change in accounting policy resulted in the reclassification of assets of the Group and did not have any financial impact on the Group’s results for the period ended 30th September, 2005 and 30th September, 2004 and consolidated net assets as at 30th September, 2005 and 31st March, 2005.

The adoption of the other HKFRSs has no impact on the interim financial report.

## **3. TURNOVER**

The principal activities of the Group are 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.

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. Further, the Group’s business participates in only one geographical location classified by the location of assets, i.e. the People’s Republic of China (“PRC”). Accordingly, no segmental analysis is provided.



#### 4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30th September,	
	2005 \$'000	2004 \$'000
Finance charges on obligations under finance leases	—	16
Interest payable on bank loans and overdrafts	7,118	3,776
Less: interest capitalised into properties under development	(243)	—
	<hr/>	<hr/>
	6,875	3,792
	<hr/>	<hr/>
Cost of inventories	228,690	224,340
Amortisation of land lease premium	412	533
Depreciation	18,115	16,263
Loss on disposal of fixed assets	57	8

#### 5. INCOME TAX

	Six months ended 30th September,	
	2005 \$'000	2004 \$'000
<i>Current tax</i>		
PRC income tax	851	2,404
<i>Deferred tax</i>		
Origination and reversal of temporary differences	582	(548)
	<hr/>	<hr/>
	1,433	1,856

Income tax for subsidiaries outside Hong Kong is calculated using the estimated annual effective rates of taxation that would be applicable to the relevant areas in which the subsidiaries operate.

## 6. DIVIDEND

(a) *Dividend attributable to the interim period*

	<b>Six months ended 30th September,</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Interim dividend declared after the interim period end of Nil cent per share (2004: 1 cent per share)	—	2,225

The interim dividend declared after the interim period end has not been recognised as a liability at the balance sheet date.

(b) *Dividend attributable to the previous financial year, approved and paid during the interim period*

	<b>Six months ended 30th September,</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend in respect of the previous financial year, approved and paid during the interim period, of Nil cent per share (2004: 1.5 cents per share)	—	3,338

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of \$9,123,000 (2004: \$12,686,000) and on the number of 222,529,000 shares (2004: 222,529,000 shares) in issue during the period.

## 8. TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

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

	<b>At 30th September,</b>	<b>At 31st March,</b>
	<b>2005</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Current	<b>91,964</b>	52,071
One to three months overdue	<b>35,112</b>	28,000
More than three months overdue	<b>9,457</b>	11,844
	<b>136,533</b>	91,915

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

## 9. PLEDGED BANK DEPOSIT

At 30th September, 2005, a bank deposit of RMB10,000,000 (equivalent to approximately \$9,615,000) (31st March, 2005: RMB10,000,000 (equivalent to approximately \$9,434,000)) was pledged as security against banking facilities extended to the Group.

## 10. BANK LOANS AND OVERDRAFTS

At 30th September, 2005, bank loans and overdrafts were repayable as follows:

	At 30th September, 2005 \$'000	At 31st March, 2005 \$'000
Within one year or on demand	224,154	208,963
After one but within two years	47,143	45,404
After two but within five years	19,750	8,025
	66,893	53,429
	291,047	262,392

At 30th September, 2005, bank loans and overdrafts were secured as follows:

	At 30th September, 2005 \$'000	At 31st March, 2005 \$'000
Bank overdrafts		
- secured	11,834	8,578
- unsecured	38,738	33,563
	50,572	42,141
Bank loans		
- secured	130,310	114,990
- unsecured	110,165	105,261
	240,475	220,251
	291,047	262,392

Certain banking facilities and loans granted to the Group are secured by mortgages over the Group's interest in leasehold land under operating leases, buildings and machinery, and bank deposit pledged with an aggregate carrying value of \$189,073,000 at 30th September, 2005 (31st March, 2005: \$194,815,000). Such banking facilities, amounting to \$211,464,000 (31st March, 2005: \$200,698,000) were utilised to the extent of \$164,609,000 (31st March, 2005: \$157,522,000) at 30th September, 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.

## 11. OBLIGATIONS UNDER FINANCE LEASES

Obligations under finance leases are payable as follows:

	At 30th September, 2005			At 31st March, 2005		
	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000
Within one year	—	—	—	433	4	437

## 12. TRADE CREDITORS AND ACCRUED CHARGES

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

	At 30th September, 2005 \$'000	At 31st March, 2005 \$'000
Current	28,034	21,513
One to three months overdue	30,690	12,839
More than three months overdue	147	259
	<b>58,871</b>	<b>34,611</b>

## 13. BILLS PAYABLE

Ageing analysis of bills payable is as follows:

	At 30th September, 2005 \$'000	At 31st March, 2005 \$'000
Due within one month	11,660	9,234
Due after one month but within two months	14,727	12,294
Due after two months but within three months	6,071	16,244
	<b>32,458</b>	<b>37,772</b>

## 14. SHARE CAPITAL

	No. of shares '000	Amount \$'000
Issued and fully paid shares of \$0.1 each:		
At 1st April, 2005 and 30th September, 2005	222,529	22,253

## 15. RESERVES

	<b>Share premium</b>	<b>Exchange reserve</b>	<b>Statutory surplus reserve</b>	<b>Other reserves</b>	<b>Retained profits</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1st April, 2004	37,741	(7,113)	10,583	4,516	192,810	238,537
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	1,700	—	—	—	1,700
Dividends approved in respect of the previous year	—	—	—	—	(3,338)	(3,338)
Profit for the period	—	—	—	—	12,686	12,686
<b>At 30th September, 2004</b>	<b>37,741</b>	<b>(5,413)</b>	<b>10,583</b>	<b>4,516</b>	<b>202,158</b>	<b>249,585</b>
At 1st April, 2005	37,741	(4,964)	12,787	4,587	188,944	239,095
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	4,075	—	—	—	4,075
Profit for the period	—	—	—	—	9,123	9,123
<b>At 30th September, 2005</b>	<b>37,741</b>	<b>(889)</b>	<b>12,787</b>	<b>4,587</b>	<b>198,067</b>	<b>252,293</b>

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

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.

## 16. CONTINGENT LIABILITIES

The Company has given guarantees to banks and leasing companies to secure facilities of \$432 million (31st March, 2005: \$405 million) granted to subsidiaries, of which \$284 million (31st March, 2005: \$266 million) were utilised at 30th September, 2005.

## 17. COMMITMENTS

Capital commitments outstanding not provided for in the interim financial report:

	<b>At 30th September, 2005 \$'000</b>	<b>At 31st March, 2005 \$'000</b>
Contracted for	<b>8,815</b>	36,359
Authorised but not contracted for	—	—
	<hr/> <b>8,815</b>	<hr/> 36,359

## 18. MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group sold packaging products to companies which are controlled by a non-executive director amounting to \$5,337,000 (2004: \$8,187,000), under normal commercial terms.

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

**INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF  
NEW ISLAND PRINTING HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have been instructed by the Company to review the interim financial report set out on pages 2 to 14.

**Respective responsibilities of directors and auditors**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the Directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Review work performed**

We conducted our review in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

**Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2005.

**KPMG**

*Certified Public Accountants*

Hong Kong, 16th December, 2005

## **BUSINESS REVIEW AND OUTLOOK**

The Group reported a turnover of approximately HK\$286.4 million for the six months period ended 30th September, 2005 (the “Review Period”) as compared to approximately HK\$279.8 million for the corresponding period in 2004/2005 (the “Corresponding Period”). Profit before taxation and profit attributable to shareholders for the Review Period amounted to approximately HK\$10.6 million and approximately HK\$9.1 million respectively, as compared to approximately HK\$14.5 million and approximately HK\$12.7 million for the Corresponding Period.

During the Review Period, the Group achieved an increase of approximately 2% in turnover as compared to the Corresponding Period due mainly to the increase in overseas sales. There was still a shortage in power and labour supply in Southern China. However, the Group had installed power generators and automated certain manual hand assembly procedures at the Dongguan plant and had therefore been able to minimize the disruption caused by such shortage. As a result, gross profit increased by approximately 4% and gross profit margin improved from approximately 19.8% during the Corresponding Period to approximately 20.1% during the Review Period.

The increase in selling and distribution costs of approximately 36% during the Review Period compared to the Corresponding Period were largely due to the increase in freight costs resulting from the increase in overseas sales and the running costs of the New York office which was set up at the end of 2004. There was however a reduction of approximately 5% of administrative expenses as the Group had managed to control such expenses. Following the recent increase in interest rates, the finance costs during the Review Period increased by approximately 81% over the Corresponding Period.

Looking ahead, the Directors are optimistic that the Group would be able to benefit from the growth in the overseas market and that further savings would be achieved from the automated processes at the Dongguan plant.

## **FINANCIAL AND CAPITAL RESOURCES**

During the Review Period, the Group had invested a total of approximately HK\$70 million on fixed assets investment. These investment activities and the daily operating activities of the Group were funded by profit generated from operations and banking facilities.

The Directors believe that the financial position of the Group remains sound and that the Group has adequate resources to meet its financial commitments in the foreseeable future. As at 30th September, 2005, the borrowings of the Group, which were either denominated in Hong Kong dollars or Chinese Renminbi, amounted to approximately HK\$323 million (31st March, 2005: HK\$301 million). Of this amount, approximately HK\$165 million (31st March, 2005: HK\$158 million) was secured by mortgages over the Group’s interest in leasehold land under operating leases, buildings and machinery and bank deposit pledged with an aggregate net book value of approximately HK\$189 million (31st March, 2005: HK\$195 million). The gearing ratio (defined as total interest-bearing borrowings divided by total assets) of the Group as at 30th September, 2005 was approximately 46% (31st March, 2005: 47%).



## **STAFF**

As at 30th September, 2005, the Group had a total staff of 3,423 (31st March, 2005: 3,341) of which 3,346 (31st March, 2005: 3,246) were employed in the PRC for the Group's manufacturing and distribution businesses.

The Group provides employee benefits such as staff insurance, retirement schemes and discretionary bonus and also provides in-house training programmes and external training sponsorship.

## **INTERIM DIVIDEND**

The Directors resolved not to pay an interim dividend for the period ended 30th September, 2005.

## **CORPORATE GOVERNANCE**

On 1st January, 2005, the Code of Best Practice was replaced by the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company has adopted all the code provisions in the Code as its own code on corporate governance practices.

The Company has met the code provisions of the Code during the six months period ended 30th September, 2005 except Code provision C.2 on internal control (which will be implemented for accounting periods commencing on or after 1st July, 2005).

The Company has established an audit committee comprising three independent non-executive directors and a non-executive director of the Company. Terms of reference of the audit committee have been updated in compliance with the Code. The audit committee has reviewed together with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim report for the six months ended 30th September, 2005.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the Model Code throughout the six months period ended 30th September, 2005.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

The Directors and chief executive of the Company who held office at 30th September, 2005 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of Directors' and chief executive's interests and short positions required to be kept under section 352 of the SFO:

**(a) Interests in issued shares of the Company**

Name of Directors	Ordinary shares of HK\$0.1 each			% of total issued shares
	Personal interests (Note 1)	Corporate interests (Note 2)	Total number of shares held	
Madam So Chau Yim Ping, JP	19,800,000	132,000,000	151,800,000	68.22%
Mrs. Cheong So Ka Wai, Patsy	3,300,000	—	3,300,000	1.48%
Mrs. Fung So Ka Wah, Karen	3,300,000	—	3,300,000	1.48%
Mr. So Wah Sum, Conrad	3,300,000	—	3,300,000	1.48%
Mr. Ting Woo Shou, Kenneth, JP	105,000	—	105,000	0.05%

No family interests in shares are held by any of the Directors.

Notes:

1. All these shares are held by the respective Directors personally as beneficial owners.
2. Ka Chau Enterprises (B.V.I.) Limited ("Ka Chau") beneficially owned 132,000,000 shares as at 30th September, 2005. Madam So Chau Yim Ping, JP has a 60 per cent. interest in Ka Chau, and each of Mrs. Cheong So Ka Wai, Patsy and Mrs. Fung So Ka Wah, Karen has a 20 per cent. interest in Ka Chau. Accordingly, Madam So Chau Yim Ping, JP is deemed to be interested in the 132,000,000 shares owned by Ka Chau.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES** *(Continued)*

**(b) Interests in non-voting deferred shares of subsidiaries**

<b>Name of Directors</b>	<b>Non-voting deferred shares of HK\$100 each in New Island Printing Company Limited</b>	<b>Non-voting deferred shares of HK\$100 each in Sonic Manufacturing Company Limited</b>
Madam So Chau Yim Ping, JP	6,700	500
Mrs. Cheong So Ka Wai, Patsy	1,000	500
Mrs. Fung So Ka Wah, Karen	1,000	—
Mr. So Wah Sum, Conrad	1,000	—
Madam So Chau Yim Ping, JP and Mrs. Cheong So Ka Wai, Patsy	150	—
	9,850	1,000

*Note: All the above non-voting deferred shares are held by the respective Directors personally as beneficial owners.*

As at 30th September, 2005, apart from the foregoing, none of the Directors and chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company or subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

**SUBSTANTIAL SHAREHOLDERS**

Save for those shares referred to in the Directors' interests in shares above, no person or corporation had any interest in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

**ARRANGEMENT TO PURCHASE SHARES**

At no time during the six months ended 30th September, 2005 was the Company or its subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

During the six months ended 30th September, 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

## **COMPOSITION OF BOARD OF DIRECTORS**

As at the date of this report, the Board comprises nine directors, namely Madam So Chau Yim Ping, JP (Chairman), Mr. So Wah Sum, Conrad and Mr. Ho Hing Lim, Peter (Chief Executive Officer) as executive directors, Mrs. Cheong So Ka Wai, Patsy, Mrs. Fung So Ka Wah, Karen and Mr. Ting Woo Shou, Kenneth, JP as non-executive directors and Mr. Hui Yin Fat, O.B.E., JP, Mr. Wong Wang Fat, Andrew, O.B.E., JP and Mr. She Chiu Shun, Ernest as independent non-executive directors.

By Order of the Board

**Li Sau Yan, Philip**

*Secretary*

Hong Kong, 16th December, 2005