

CHAIRMAN'S STATEMENT



2005/06 was a difficult year for the Group. The loss incurred reflected the drop in sales during the low season in the second half of the year due to intense market competition, coincided with the increase in variable costs due to rising wages and material costs, the increase in fixed costs due to capital investments on factories and machineries as well as the increase in finance costs due to the rising interest rates. A review of the Group's performance for the year under review is set out in the section headed "Management Discussions and Analysis".

In view of the disappointing results of the Group for 2005/06, the Directors do not recommend the payment of a final dividend.

Looking back at the 40 years history of New Island, the Group has demonstrated a solid track record although there had occasionally been difficult periods of underperformance. The Group had however always been able to recover from such underperformance to achieve further growth. Accordingly, and notwithstanding the disappointing performance of the Group during the year under review, I remain confident that the Group will be able to overcome the difficulties it has been facing given the market position, experience and expertise of the Group in the packaging printing industry and given the capital investments it has made in recent years on factories and machineries to enhance its production capability.

Finally, I would like to take this opportunity to extend our gratitude to the dedicated staff of the Group for their hard work and contributions during the year under review. On behalf of the Board, I would also like to express our sincere thanks to the shareholders of the Company for their patience and continued support, particularly in view of the difficulties the Group has been facing.

So Chau Yim Ping

Chairman

Hong Kong, 21st July, 2006