

REPORT OF THE AUDITORS



Auditors' report to the shareholders of
NEW ISLAND PRINTING HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 23 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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BASIS OF OPINION *(continued)*

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in note 1(b) to the financial statements concerning the going concern of the Group. As at 31st March, 2006, the Group's net current liabilities amounted to HK\$171,025,000 and it was not in compliance with the financial covenants in respect of certain bank facilities. Further details of the breach of covenants and the subsequent waivers granted by the banks are disclosed in note 18.

Notwithstanding the above, the financial statements have been prepared on a going concern basis, the validity of which depends on the assumptions made by the Directors that the Group will be able to generate adequate cash flows from its operations and obtain the necessary facilities from the banks to enable the Group to operate as a going concern.

The financial statements do not include any adjustments that would result from the Group's failure to generate adequate cash flows from its operations and obtain the necessary facilities from the banks. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2006 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

Hong Kong, 21st July, 2006