新洲印刷集團有限公司
NEW ISLAND PRINTING HOLDINGS LIMITED
(Stock Code 股份代號 : 377)




2007
Annual Report 年報

CONTENTS

EXECUTIVE DIRECTORS

Madam So Chau Yim Ping, BBS, JP *(Chairman)*
Mrs. Cheong So Ka Wai, Patsy*
(Acting Chief Executive Officer)
Mrs. Fung So Ka Wah, Karen*
Mr. So Wah Sum, Conrad

NON-EXECUTIVE DIRECTOR

Mr. Ting Woo Shou, Kenneth, SBS, JP

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Li Sau Yan, Philip

QUALIFIED ACCOUNTANT

Mr. Li Sau Yan, Philip

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Madam So Chau Yim Ping, BBS, JP
Mrs. Cheong So Ka Wai, Patsy
Mr. Hui Yin Fat, O.B.E., JP
Mr. She Chiu Shun, Ernest
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

KPMG

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
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
Room 1803
Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

STOCK CODE

377

WEBSITE

http://finance.thestandard.com.hk/en/0377newisland

* redesignated from Non-Executive Director to Executive Director on 19th May, 2006

BIOGRAPHY OF DIRECTORS

Madam So Chau Yim Ping, BBS, JP, aged 79, is the Chairman of the Company as well as the founder of the Group. Madam So has more than 40 years' experience in the printing and paper products industry. She is the Hon. Chairman of The Hong Kong Printers Association, the President of the Southern District Industrialists Association Limited and the Hon. President of Hong Kong Federation of Women. She was a member of the Legislative Council from October 1988 to August 1991 and was a District Board member for the Southern District from April 1985 to September 1994.

Mrs. Cheong So Ka Wai, Patsy, aged 57, is an Executive Director and Acting Chief Executive Officer of the Company mainly responsible for corporate planning, general administration and overall management of the Group. Mrs. Cheong is a law graduate from the University of Hull, United Kingdom and has been admitted as a solicitor in Hong Kong since 1977. She joined the Group in 1992. Mrs. Cheong is a daughter of Madam So Chau Yim Ping, BBS, JP.

Mrs. Fung So Ka Wah, Karen, aged 56, is an Executive Director of the Company. Mrs. Fung graduated from the University of Toronto and obtained a post graduate degree from the University of Western Ontario in Canada. She had worked in the banking industry before joining the Group in 1985. Her main responsibility as an Executive Director of Company is logistics and procurement. Mrs. Fung is a daughter of Madam So Chau Yim Ping, BBS, JP.

Mr. So Wah Sum, Conrad, aged 52, is an Executive Director of the Company. Mr. So graduated from the University of Waterloo in Canada with degrees in urban and regional planning and in economics and accounting. He is a certified management accountant of the Society of Management Accountants of Ontario, Canada and had worked in various divisional control departments of a multinational chemical manufacturer in Canada before returning to Hong Kong and joining the Group in 1983. His main responsibility is sales and marketing. Mr. So is the son of Madam So Chau Yim Ping, BBS, JP.

** *Mr. Ting Woo Shou, Kenneth*, SBS, JP, aged 64, is a Non-Executive Director of the Company. He joined the Group in 1993. He is the managing director and a controlling shareholder of Kader Holdings Company Limited (Stock Code: 180). Mr. Ting currently serves as the President of the Hong Kong Plastics Manufacturers' Association Ltd., the Honorary President of the Chinese Manufacturers' Association of Hong Kong and the Honorary President of the Toys Manufacturers' Association of Hong Kong Limited. Besides, Mr. Ting is also a non-executive director of the Mandatory Provident Fund Schemes Authority and a member of the Hong Kong Polytechnic University Court, a member of the Hong Kong University of Science and Technology Court and a member of the Hong Kong General Chamber of Commerce. Furthermore, he is also a member of the Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference.

* *Mr. Hui Yin Fat*, O.B.E., JP, aged 71, is an Independent Non-Executive Director of the Company. He joined the Group in 1993. Mr. Hui was a member of the Legislative Council from 1985 to 1995, a member of the Executive Council from 1990 to 1991 and a member of the Provisional Legislative Council from 1997 to 1998. Mr. Hui, who had been the director of the Hong Kong Council of Social Service for over 30 years, holds a B.A. (Hons) degree and a Dip. in Social Studies from the University of Hong Kong and a M.Sc. in Social Administration degree from the Western Reserve University, Cleveland, Ohio, USA. He had been the Chairman of the Advisory Committee on Social Work Training and the Chairman of Advisory Committee on Social Work at Hong Kong Baptist University, the Chairman of Advisory Committee on Applied Social Studies at Hong Kong Polytechnic University and the Chairman of Advisory Board of Hong Kong Shue Yan University.

* *Mr. Wong Wang Fat, Andrew*, O.B.E. (Hon), JP, aged 63, is an Independent Non-Executive Director of the Company. He joined the Group in 1993. Mr. Wong had been an elected member of the Legislative Council from 1985 to 2004 and was the President of the Council from 1995 to 1997. Mr. Wong holds a Bachelor of Arts (Honours) degree in literature from the University of Hong Kong and a Master of Public Administration degree from Syracuse University, USA. He had been lecturing at The Chinese University of Hong Kong since 1970 and is now retired. Mr. Wong is also an Honorary President of the Hong Kong Corrugated Paper Manufacturers Association.

* *Mr. She Chiu Shun, Ernest*, aged 46, has been an Independent Non-Executive Director of the Company since September 2004. He is an investment banker with extensive experience in financial advisory and fund raising activities in the Asian regional markets. Prior to becoming an investment banker, Mr. She was an investment analyst responsible primarily for equity research in the real estate sector. Mr. She graduated from the University of Toronto with a Bachelor of Applied Science degree in Industrial Engineering and obtained from the Imperial College of Science and Technology a Master of Science degree in Management Science specialising in Operational Research. Mr. She is a Chartered Financial Analyst, a member of the CFA Institute and a member of the Hong Kong Securities Institute.

* *Independent Non-Executive Directors*

** *Non-Executive Directors*

BIOGRAPHY OF SENIOR MANAGEMENT

Mr. Li Sau Yan, Philip, aged 48, is the Qualified Accountant and the Company Secretary of the Company. Prior to joining the Group in 1999, he had over 17 years' experience in auditing, accounting and financial management. He is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants. He is a graduate of Imperial College of Science and Technology of the University of London, United Kingdom and holds a Bachelor of Science degree.

Note: Various aspects of the Group's business are respectively under the direct responsibility of the four Executive Directors holding executive offices of the Company as named above. These Executive Directors are also regarded as members of the Group's senior management.

As discussed in my statement in the last annual report of the Company, New Island had a solid track record of 40 years in the packaging printing industry and I was confident that the Group would recover from any occasional underperformance.

In the twelve months period during the year under review, the Group had undertaken a series of steps with a view to restoring its financial well-being. The Group had strengthened its management through the redesignation of two Non-Executive Directors with proven packaging printing experience to assume executive roles; had refinanced and rebalanced its bank loans portfolio to improve its liquidity position; had disposed of assets surplus to its operational requirements; had reallocated resources among its plants to improve capacity utilization; and had reorganized its operational units and plant layout at the Dongguan operations to enhance efficiencies. Accordingly, as discussed in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS", the Group managed to achieve a solid turnaround during the year under review.

Notwithstanding the substantial improvement in the operational performance and financial position of the Group, the Directors do not recommend the payment of a dividend for the year under review, reflecting the Group's commitment on prudent financial management.

Looking ahead, I am confident that, with the series of measures implemented by the Group during the year under review, the Group had repositioned itself with the financial and operational capabilities to meet the challenges and to capitalize on opportunities in the packaging printing industry.

Finally, I would like to extend my gratitude to the dedicated staff of the Group for their hard work and contributions during the year under review, particularly in achieving a turnaround in the financial standing of the Group. On behalf of the Board, I would also like to express our sincere thanks to the shareholders of the Company for their continued support.

So Chau Yim Ping
Chairman

Hong Kong, 20th July, 2007

After a difficult and disappointing year in 2005/06, the Group achieved a solid turnaround, particularly in restoring its financial soundness, during the year under review.

The Group reported for the year under review a turnover of approximately HK$494.6 million (2005/06: HK$443.1 million) and turned the losses recorded in the last corresponding period into profits with profit before taxation and profit for the year amounting to approximately HK$14.1 million and approximately HK$6.2 million respectively (2005/06: losses of HK$21.2 million and HK$23.1 million respectively).

During the year under review, there was an increase in turnover of approximately 11.6% over that of the last corresponding period. The increase in turnover stemmed from the measures taken by the Group to address the seasonal problems that had previously been dragging down the Group's operational performance in the second half of the financial year. To improve capacity utilization, the Group had reallocated certain machinery from the Dongguan plant to the Shanghai plant where demand had remained consistently stable during the low season. The Group had also been dedicating major efforts in developing sales that were less susceptible to seasonal fluctuations. As a result, turnover during the second half of the year under review increased by approximately 38.4% over that of the last corresponding period and the increase in turnover in the low season was a key factor for the recovery in profitability.

Due largely to the improvement in capacity utilization in the low season, gross profit margin increased from approximately 16.4% in the last corresponding period to approximately 20.9% during the year under review. The increase in gross profit margin also resulted from the enhanced efficiencies following the reorganization of the operational units and plant layout at the Dongguan operations. Gross profit during the year under review therefore increased by approximately 42.7% over that of the last corresponding period. If not because of the sharp rise in labour costs due to the statutory adjustments in minimum wages in Dongguan and Shanghai, the increase in gross profit would have even been stronger.

As part of the reorganization of the plant layout at the Dongguan operations as mentioned above, the Group had disposed of certain machinery and property assets that were surplus to its operational requirements during the year under review. The disposals, which had enabled the Group to better utilize and redeploy its resources to strengthen its financial position while at the same time eliminating the carrying costs associated with such assets, had also generated net disposal gains totaling approximately HK$4.3 million under other net income.

Despite the increase in turnover, selling and distribution costs during the year under review decreased by approximately 4.4% compared to that of the last corresponding period. The decrease in selling and distribution costs was mainly attributable to the lower freight costs arising from a lower level of export sales. Administrative expenses during the year under review, on the other hand, increased by approximately 6.8% over those of the last corresponding period. The increase in administrative expenses was, however, contained at a rate well below the increase in turnover.

Notwithstanding the decline in the total bank borrowings of the Group, finance costs during the year under review increased by approximately 17.0% over those of the last corresponding period on the back of higher interest rates. Meantime, due to the expiry of certain tax relieves for the Group's operations in China, income tax during the year under review increased by more than threefold over that of the last corresponding period.

As a result of the combined effects of the foregoing and due in particular to the improved capacity utilization in the low season, the Group managed to achieve a substantial improvement in its operational performance and turned the losses that exceeded HK$20 million in the last corresponding period to a profit before taxation and a profit for the year under review amounting to approximately HK$14.1 million and approximately HK$6.2 million respectively.

Apart from the measures taken by the Group to improve its operational performance, the Group had also, during the year under review, implemented steps to restore its financial standing. In particular, the Group had been actively refinancing and rebalancing its bank loans portfolio through the arrangements of new additional long term banking facilities. Furthermore, as mentioned above, the Group had disposed of certain machinery and property assets that were surplus to its operational requirements and the disposals had generated additional cash proceeds. Coupled with the improving cash flow from the recovery in the Group's operational performance, the Group had managed to substantially strengthen its balance sheet, particularly its short term liquidity position, with:

- net current liabilities declining from approximately HK$171 million* as at 31st March, 2006 to less than HK$10 million as at 31st March, 2007;
- short term bank borrowings declining from approximately HK$304 million* as at 31st March, 2006 to approximately HK$164 million as at 31st March, 2007;
- total bank borrowings declining from approximately HK$310 million as at 31st March, 2006 to approximately HK$280 million as at 31st March, 2007; and
- cash holdings (including pledged bank deposits) increasing from approximately HK$30 million as at 31st March, 2006 to approximately HK$54 million as at 31st March, 2007.

The ability of the Group to substantially strengthen its balance sheet in only a twelve month period during the year under review without having to rely on the use of equity financing reflected the solid underlying fundamentals of the Group. The Directors believe that the financial standing of the Group had been restored for a sustained recovery and that the substantially strengthened financial position of the Group would enable the Group to finance its long term assets and long term growth with long term capital.

* *after the reclassification of certain bank borrowings totaling approximately HK$31 million from non-current liabilities to current liabilities due to the Group's breach of the relevant bank covenants which had subsequently been waived*

During the year under review, the Group spent approximately HK$22 million on fixed assets investments. These fixed assets investments were generally financed by internally generated resources and bank borrowings. The daily operating activities of the Group were generally funded by internally generated resources and banking facilities.

As at 31st March, 2007, the bank borrowings of the Group, which were either denominated in Hong Kong dollars or Chinese Renminbi, amounted to approximately HK$280 million (2005/06: HK$310 million). Of this amount, approximately HK$112 million (2005/06: HK$164 million) was secured by mortgages over the Group's interest in leasehold land under operating leases, buildings, machinery, trade debtors and pledged bank deposits with an aggregate carrying value of approximately HK$276 million (2005/06: HK$186 million). The gearing ratio (defined as total interest-bearing borrowings divided by total assets) of the Group as at 31st March, 2007 was approximately 43.2% (2005/06: 48.5%).

As discussed in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS", during the year under review, the balance sheet, particularly the short term liquidity position, of the Group had substantially been strengthened with net current liabilities declining from approximately HK$171 million* as at 31st March, 2006 to less than HK$10 million as at 31st March, 2007. Subsequent to the year end date, the Group had also arranged new additional banking facilities totaling approximately HK$16 million. Accordingly, in view of the foregoing, and taking into account the continued banking support and the cash flow to be generated from the Group's operations, the Directors are of the opinion that the Group will be able to have sufficient resources to meet its ongoing obligations and commitments.

* *after the reclassification of certain bank borrowings totaling approximately HK$31 million from non-current liabilities to current liabilities due to the Group's breach of the relevant bank covenants which had subsequently been waived*

CORPORATE GOVERNANCE PRACTICES

The board of Directors of the Company (the "Board") believes that good corporate governance practices are increasingly important for maintaining and promoting the confidence of shareholders of the Company (the "Shareholders"). The Company is committed to ensuring a high standard of corporate governance. The Board will review the corporate governance practices of the Company and its subsidiaries from time to time to ensure that they reflect the latest development and meet the expectations of the Shareholders.

The Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31st March, 2007.

BOARD OF DIRECTORS

The Board currently comprises four Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors. One of the Independent Non-Executive Directors has the appropriate professional accounting experience and expertise. Mrs. Cheong So Ka Wai, Patsy and Mrs. Fung So Ka Wah, Karen are the daughters and Mr. So Wah Sum, Conrad is the son of Madam So Chau Yim Ping, BBS, JP. The biographies of the Directors are set out on pages 3 to 4 of this annual report.

The Board is responsible for establishing strategic directions, setting objectives and business plans and monitoring performance. The Management is responsible for the day-to-day management and operations of their respective individual business units.

The Board has established a schedule of matters specifically reserved to the Board for its decisions and those reserved for the Management. The Board reviews this schedule from time to time to ensure that it remains appropriate to the needs of the Company and its subsidiaries.

The Chairman, Madam So Chau Yim Ping, BBS, JP, and the Acting Chief Executive Officer, Mrs. Cheong So Ka Wai, Patsy had and continue to have different roles. The Chairman is responsible for the operations of the Board and the responsibility of the Acting Chief Executive Officer is to manage the operations of the Group. Their functions have been clearly divided to ensure a balanced distribution of power and authority not concentrating on a single individual.

Each of the Independent Non-Executive Directors and the Non-Executive Director has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company for a period of two years. The appointment shall terminate on the earlier of (i) the expiry date specified in the appointment letter, or (ii) the date on which the Director ceases to be Director for any reasons pursuant to the Bye-laws of the Company or any other applicable laws.

The Company has received from each of the Independent Non-Executive Directors an annual confirmation in writing of his independence and is satisfied that each of them continues to be independent in accordance with the requirements of the Listing Rules.

The full Board meets no less than four times a year to review, inter alia, the financial and operational performance of the Group. Additional Board meetings are held when necessary. Due notice and Board papers are given to all Directors prior to a meeting in accordance with the Listing Rules and the Code. The Board has established a procedure to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses.

There were four regular Board meetings and five additional Board meetings held in the year ended 31st March, 2007. The attendance record of each Director at the regular Board meetings is shown below. All business transacted at the above meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

Directors	**Attendance of regular Board meetings**
Executive Directors:	
Madam So Chau Yim Ping, BBS, JP	4/4
Mrs. Cheong So Ka Wai, Patsy	4/4
Mrs. Fung So Ka Wah, Karen	4/4
Mr. So Wah Sum, Conard	4/4
Non-Executive Director:	
Mr. Ting Woo Shou, Kenneth, SBS, JP	2/4
Independent Non-Executive Directors:	
Mr. Hui Yin Fat, O.B.E., JP	2/4
Mr. She Chiu Shun, Ernest	4/4
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP	4/4

REMUNERATION COMMITTEE

The Remuneration Committee, which is chaired by Madam So Chau Yim Ping, BBS, JP, has been established with defined terms of reference. Other members of the Remuneration Committee are Mrs. Cheong So Ka Wai, Patsy, Mr. Hui Yin Fat, O.B.E., JP, Mr. She Chiu Shun, Ernest and Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP.

The Company aims to design a remuneration policy that attracts and retains executives needed to run the Group successfully and to motivate executives to pursue appropriate growth strategies of the Group while at the same time taking into account the performance of the individuals. The remuneration should reflect, inter alia, the performance and responsibilities of the individuals; and the remuneration packages are structured to include salary, bonus and other benefits to provide incentives to Directors and senior management of the Group and to improve their individual performance.

The roles and functions of the Remuneration Committee include the formulation and review of the recommendation to the Board on the remuneration policy as well as the determination of the specific remuneration packages of the Executive Directors and the Group's senior management. No Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee met one time during the year ended 31st March, 2007 and the work carried out by the Remuneration Committee included the following:

— reviewed the remuneration policy of the Group; and

— reviewed the specific remuneration packages of the Executive Directors and the senior management of the Group for the year ended 31st March, 2007.

The attendance record of each member of the Remuneration Committee is shown below. All business transacted at the above meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

Remuneration Committee members	**Attendance**
Madam So Chau Yim Ping, BBS, JP	1/1
Mrs. Cheong So Ka Wai, Patsy	1/1
Mr. Hui Yin Fat, O.B.E., JP	1/1
Mr. She Chiu Shun, Ernest	1/1
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP	1/1

NOMINATION OF DIRECTORS

The Board has not established a nomination committee. According to the Bye-laws of the Company, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. The Board reviews the structure, size and composition of the Board from time to time.

At the Board meeting held on 19th May, 2006 with the presence of Madam So Chau Yim Ping, BBS, JP, Mrs. Cheong So Ka Wai, Pasty, Mrs. Fung So Ka Wah, Karen and Mr. So Wah Sum, Conrad, the Board reviewed and approved the changes in the directorship of the Company, namely the re-designation of Mrs. Cheong So Ka Wai, Pasty and Mrs. Fung So Ka Wah, Karen from Non-Executive Directors to Executive Directors, the resignation of Mr. Ho Hing Lim, Peter as the Chief Executive Officer and Executive Director and the appointment of Mrs. Cheong So Ka Wai, Patsy as the Acting Chief Executive Officer with effect from 19th May, 2006. Nomination was made by members of the Board based on the needs of the Company and the expertise and experience of the individual candidates. Subsequent to the year ended 31st March, 2007, and up to the date of this annual report, there has been no change in the directorship of the Company.

AUDIT COMMITTEE

The Audit Committee, which is chaired by Mr. She Chiu Shun, Ernest, has been established with defined terms of reference largely in alignment with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code. Other members of the Audit Committee are Mr. Hui Yin Fat, O.B.E. JP, Mr. Ting Woo Shou, Kenneth, SBS, JP and Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP. The Audit Committee reports directly to the Board.

The Audit Committee meets regularly with the senior management of the Group and the external auditors of the Company. The roles and functions of the Audit Committee include the review of the consolidated financial statements of the Company, the oversight of the financial reporting system and internal control procedures of the Group as well as the review of the Group's relationship with the external auditors of the Company.

The Audit Committee met four times during the year ended 31st March, 2007 and the work carried out by the Audit Committee included the following:

— reviewed the consolidated financial statements of the Company for the year ended 31st March, 2006;

— reviewed the consolidated financial statements of the Company for the six months ended 30th September, 2006;

— reviewed and discussed with the Company's external auditors the audit plan for the consolidated financial statements of the Company for the year ended 31st March, 2007;

— reviewed and considered the terms of the continuing connected transactions entered into between the Group and certain companies controlled by Mr. Ting Woo Shou, Kenneth, SBS, JP or his family members. Given his conflict of interests in these transactions, Mr. Ting Woo Shou, Kenneth, SBS, JP abstained from all discussions relating to such transactions;

— reviewed and discussed with the senior management of the Group and the external auditors of the Company major accounting, audit and internal control issues;

— reviewed the independence and objectivity of the external auditors of the Company;

— monitored the non-audit services undertaken by the Company's external auditors or their affiliates; and

— reviewed and approved the remuneration and terms of engagement of the external auditors of the Company.

Subsequent to the year ended 31st March, 2007, the Audit Committee also had a meeting to review the consolidated financial statements of the Company for the year ended 31st March, 2007.

The attendance record of each member of the Audit Committee is shown below. All business transacted at the above meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

Audit Committee members	**Attendance**
Mr. She Chiu Shun, Ernest	4/4
Mr. Hui Yin Fat, O.B.E., JP	0/4
Mr. Ting Woo Shou, Kenneth, SBS, JP	2/4
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP	3/4

INTERNAL CONTROL

The Board has the overall responsibility for the internal control system of the Group and reviews its effectiveness from time to time. The Audit Committee assists the Board in the review, which covers operational, financial and compliance controls and risk management functions, to maintain an adequate and effective internal control system to safeguard the interests of the Shareholders and the assets of the Group.

The Directors had, during the year under review, made arrangements to review the Group's internal control system to provide a reasonable assurance on the effectiveness and efficiencies of the Group's operations in achieving the established corporate objectives, to safeguard the Group's assets against unauthorized use or disposition, to ensure the maintenance of proper accounting records of the Group for the provision of reliable financial information for internal use and for publication, and to ensure the Group's compliance with relevant legislation and regulations.

AUDITORS' REMUNERATION

During the year ended 31st March, 2007, the Company's external auditors charged the Company HK$1,044,000 for audit services and HK$37,000 for non-audit services. The non-audit services undertaken by the Company's external auditors mainly for the tax advisory services.

FINANCIAL REPORTING

The Board acknowledges its responsibility for the preparation of the consolidated financial statements of the Company for the year ended 31st March, 2007, which have been prepared on a going concern basis.

The reporting responsibility of the external auditors of the Company is set out in the independent auditor's report on pages 23 to 24 of this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct of securities transactions by Directors and has adopted similar guidelines on no less exacting terms than the Model Code for application to the Group's senior management and designated people who are likely to be in possession of unpublished price sensitive information of the Group. In response to specific enquiries made by the Company, all Directors have confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31st March, 2007.

SHAREHOLDER COMMUNICATIONS

The objective of communications with Shareholders is to provide Shareholders with detailed information about the Company so that they can exercise their rights as Shareholders in an informed manner.

The Company uses a range of communication tools to ensure Shareholders are kept well informed of key business imperatives. These include general meetings, interim and annual reports, announcements and circulars. Procedure of voting by poll has been included in the circular of the Company accompanying notices convening general meetings and was read out by the chairman at the Company's annual general meeting held in 2006.

At the Company's 2006 annual general meeting, a separate resolution was also proposed by the chairman in respect of each separate issue, including the re-election of Directors.

CONCLUSION

The Board believes that the quality and standard of corporate governance reflects the quality of the Management and the operations of the Group's business. Good corporate governance can safeguard the proper use of the Group's funds and effective allocation of the Group's resources as well as protecting the interests of the Shareholders. The Management wholeheartedly advocates good practice in corporate governance and will strive to maintain, strengthen and improve the standard and quality of the corporate governance of the Company and its subsidiaries.

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st March, 2007.

PRINCIPAL PLACE OF BUSINESS

New Island Printing Holdings Limited is a company incorporated and domiciled in Bermuda and has its principal place of business at New Island Printing Centre, 38 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of subsidiaries are the printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

The analysis of the geographical segments of the operations of the Company and its subsidiaries during the year is set out in note 11 to the financial statements.

FINANCIAL STATEMENTS

The profit and cash flows of the Group for the year ended 31st March, 2007 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 25 to 77.

TRANSFER TO RESERVES

Profits attributable to shareholders of HK$6,187,000 (2006: loss of HK$23,113,000) have been transferred to reserves. Other movements in reserves are set out in note 23 to the financial statements.

The Directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2007 (2006: Nil).

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$104,000 (2006: HK$152,000).

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31st March, 2007 are set out in note 13 to the financial statements.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 78.

MAJOR SUPPLIERS AND CUSTOMERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the financial year is as follows:

	%
Sales	
Five largest customers in aggregate	38
The largest customer	12
Purchases	
Five largest suppliers in aggregate	21
The largest supplier	8

At no time during the year had any of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors, owns more than 5 per cent. of the Company's share capital) had any interests (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) in these major customers and suppliers.

FIXED ASSETS

Movements in the fixed assets of the Group during the year are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 22 to the financial statements. There were no movements during the year.

BANK LOANS, OVERDRAFTS, OBLIGATIONS UNDER FINANCE LEASES AND BILLS PAYABLE

Particulars of the bank loans, overdrafts, obligations under finance leases and bills payable of the Group as at 31st March, 2007 are set out in notes 17, 18 and 20 to the financial statements.

DIRECTORS

The Directors during the financial year and up to the date of this report were:

Madam So Chau Yim Ping, BBS, JP *(Chairman)*	
Mrs. Cheong So Ka Wai, Patsy	(re-designated from Non-Executive Director to Executive Director on 19th May, 2006)
Mrs. Fung So Ka Wah, Karen	(re-designated from Non-Executive Director to Executive Director on 19th May, 2006)
Mr. So Wah Sum, Conrad	
Mr. Ting Woo Shou, Kenneth, SBS, JP**	
Mr. Hui Yin Fat, O.B.E., JP*	
Mr. She Chiu Shun, Ernest*	
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP*	
Mr. Ho Hing Lim, Peter	(resigned on 19th May, 2006)

* *Independent Non-Executive Directors*

** *Non-Executive Director*

In accordance with the bye-laws of the Company, Mrs. Fung So Ka Wah, Karen, Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP and Mr. She Chiu Shun, Ernest retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-Executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Madam So Chau Yim Ping, BBS, JP and Mr. So Wah Sum, Conrad have entered into service agreements as Executive Directors with the Company which may be terminated by either party giving to the other six months written notice. Mrs. Cheong So Ka Wai, Patsy and Mrs. Fung So Ka Wah, Karen were re-designated from Non-Executive Directors to Executive Directors on 19th May, 2006 for a period of two years. Mrs. Cheong So Ka Wai, Patsy was appointed as Acting Chief Executive Officer on 19th May, 2006. Mr. Ting Woo Shou, Kenneth, SBS, JP was appointed as a Non-Executive Director of the Company for a period of two years from 15th July, 2007. Mr. Hui Yin Fat, O.B.E., JP, Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP and Mr. She Chiu Shun, Ernest were appointed as Independent Non-Executive Directors of the Company for a period of two years from 15th July, 2007.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than normal statutory obligations.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

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 31st March, 2007 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

	Ordinary shares of HK$0.1 each			
Name of Directors	**Personal interests** *(Note 1)*	**Corporate interests** *(Note 2)*	**Total number of shares held**	**% of total issued shares**
Madam So Chau Yim Ping, BBS, 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, SBS, JP	105,000	—	105,000	0.05%

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

Notes:

(1) All these shares were 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 31st March, 2007. Madam So Chau Yim Ping, BBS, 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, BBS, JP was 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

	New Island Printing Company Limited		Sonic Manufacturing Company Limited	
Name of directors	**Non-voting deferred shares of HK$100 each**	**% of total non-voting deferred shares as at 31st March, 2007**	**Non-voting deferred shares of HK$100 each**	**% of total non-voting deferred shares as at 31st March, 2007**
Madam So Chau Yim Ping, BBS, JP	6,700	67%	500	50%
Mrs. Cheong So Ka Wai, Patsy	1,000	10%	500	50%
Mrs. Fung So Ka Wah, Karen	1,000	10%	—	—
Mr. So Wah Sum, Conrad	1,000	10%	—	—
Madam So Chau Yim Ping, BBS, JP and Mrs. Cheong So Ka Wai, Patsy	150	1.5%	—	—
	9,850	98.5%	1,000	100%

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

As at 31st March, 2007, 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 had 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.

CONNECTED TRANSACTIONS

During the year, the Group had entered into the following transactions, as described below and in the press announcement dated 18th July, 2005 with persons who were "connected persons" for the purpose of the Listing Rules.

The Group, in the ordinary course of business, sold packaging products to Kader Industrial Company Limited ("Kader") and Qualidux Industrial Company Limited ("Qualidux") from time to time on an arm's length basis and on normal commercial terms. Mr. Ting Woo Shou, Kenneth, SBS, JP, a Non-Executive Director, is the managing director and a controlling shareholder of Kader. Mr. Ting is also a director of Qualidux and certain members of his family have substantial interests in Qualidux. Sales for the year ended 31st March, 2007 to Kader and Qualidux amounted to HK$11,111,000 (2006: HK$9,280,000).

These transactions have been reviewed by the Independent Non-Executive Directors (namely, Mr. Hui Yin Fat, O.B.E., JP, Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP and Mr. She Chiu Shun, Ernest), who are satisfied that the above transactions were entered into:

(i) in the ordinary and usual course of business;

(ii) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than terms available to independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors have requested the auditors of the Company to perform certain agreed upon procedures on the continuing connected transactions and have received a letter from the Company's auditors stating their findings that the continuing connected transactions:

(i) had received the approval of the Board of Directors;

(ii) were in accordance with the pricing policies of the Group;

(iii) had been entered into in accordance with the relevant agreements governing the continuing connected transactions; and

(iv) had not exceeded the annual cap amount as set out in the relevant agreements governing the continuing connected transactions, being HK$10,000,000 for each of the connected parties.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

ARRANGEMENT TO PURCHASE SHARES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive 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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws, although there is no restriction against such rights under Bermuda Law.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 27 to the financial statements.

STAFF

As at 31st March, 2007, the Group had a total staff of 3,493 (2006: 3,129) of which 3,421 (2006: 3,048) were employed in the People's Republic of China 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. The Group aims to design a remuneration policy that attracts and retains employees needed to run the Group successfully and to motivate employees to pursue appropriate growth strategies whilst taking into account the performance of the individuals. The remuneration of the Directors is reviewed by the Remuneration Committee. Their remuneration should reflect, inter alia, the performance and responsibilities of the Directors.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of not less than 25% of the Company's issued Share Capital as required under the Listing Rules.

AUDITORS

The financial statements of the Company for the year ended 31st March, 2007 have been audited by KPMG who shall retire at the forthcoming annual general meeting and be eligible for re-appointment.

By order of the Board
Li Sau Yan, Philip
Company Secretary

Hong Kong, 20th July, 2007

KPMG

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

We have audited the consolidated financial statements of New Island Printing Holdings Limited ("the Company") set out on pages 25 to 77, which comprise the consolidated and company balance sheets as at 31st March, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
20th July, 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Turnover	*3 & 11*	**494,612**	443,088
Cost of sales		**(391,157)**	(370,580)
		103,455	72,508
Other revenue	*4(a)*	**7,795**	4,116
Other net income/(loss)	*4(b)*	**5,106**	(757)
Selling and distribution costs		**(26,123)**	(27,337)
Administrative expenses		**(57,569)**	(53,900)
Profit/(loss) from operations		**32,664**	(5,370)
Finance costs	*5(a)*	**(18,582)**	(15,879)
Profit/(loss) before taxation	*5*	**14,082**	(21,249)
Income tax	*6(a)*	**(7,895)**	(1,864)
Profit/(loss) for the year	*9 & 23(a)*	**6,187**	(23,113)
Earnings/(loss) per share	*10*		
– Basic		**2.78 cents**	(10.39) cents
– Diluted		**2.78 cents**	(10.39) cents

The notes on pages 32 to 77 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31st March, 2007
(Expressed in Hong Kong dollars)

	Note	**2007**		2006	
		$'000	***$'000***	*$'000*	*$'000*
NON-CURRENT ASSETS					
Fixed assets	*12*				
– Property, plant and equipment		**378,074**		409,338	
– Interest in leasehold land held for own use under operating leases		**29,943**		30,696	
			408,017		440,034
CURRENT ASSETS					
Inventories	*14*	**74,032**		78,786	
Trade debtors, prepayments and deposits	*15*	**108,720**		85,575	
Current taxation recoverable	*21(a)*	**3,764**		3,924	
Pledged bank deposits	*16*	**11,134**		9,615	
Cash and cash equivalents	*16*	**43,160**		20,361	
		240,810		198,261	
CURRENT LIABILITIES					
Bank loans and overdrafts	*17*	**130,391**		254,294	
Obligations under finance leases	*18*	**15,805**		—	
Trade creditors and accrued charges	*19*	**85,192**		64,257	
Bills payable	*20*	**17,447**		49,516	
Current taxation payable	*21(a)*	**1,817**		1,219	
		250,652		369,286	
NET CURRENT LIABILITIES			**(9,842)**		(171,025)
TOTAL ASSETS LESS CURRENT LIABILITIES			**398,175**		269,009

At 31st March, 2007
(Expressed in Hong Kong dollars)

	Note	2007		2006	
		$'000	$'000	$'000	$'000
NON-CURRENT LIABILITIES					
Bank loans	17	**82,977**		6,000	
Obligations under finance leases	18	**33,426**		—	
Deferred taxation	21(b)	**19,220**		19,169	
			(135,623)		(25,169)
NET ASSETS			**262,552**		243,840
CAPITAL AND RESERVES					
Share capital	22		**22,253**		22,253
Reserves	23(a)		**240,299**		221,587
TOTAL EQUITY			**262,552**		243,840

Approved and authorised for issue by the Board of Directors on 20th July, 2007.

So Chau Yim Ping
Chairman

Cheong So Ka Wai, Patsy
Executive Director

The notes on pages 32 to 77 form part of these financial statements.

BALANCE SHEET

At 31st March, 2007
(Expressed in Hong Kong dollars)

	Note	**2007**		2006	
		$'000	***$'000***	*$'000*	*$'000*
NON-CURRENT ASSETS					
Investments in subsidiaries	*13*		**125,969**		126,609
CURRENT ASSETS					
Prepayments and deposits		**152**		152	
Cash and cash equivalents	*16*	**34**		35	
		186		187	
CURRENT LIABILITIES					
Accrued charges	*19*	**102**		107	
Net current assets			**84**		80
NET ASSETS			**126,053**		126,689
CAPITAL AND RESERVES					
Share capital	*22*		**22,253**		22,253
Reserves	*23(b)*		**103,800**		104,436
TOTAL EQUITY			**126,053**		126,689

Approved and authorised for issue by the Board of Directors on 20th July, 2007.

So Chau Yim Ping	**Cheong So Ka Wai, Patsy**
Chairman	*Executive Director*

The notes on pages 32 to 77 form part of these financial statements.

For the year ended 31st March, 2007

(Expressed in Hong Kong dollars)

	Note	**2007**	2006
		$'000	*$'000*
Total equity at 1st April		**243,840**	261,348
Net income recognised directly in equity:			
Exchange differences arising on translation of the financial statements of subsidiaries outside Hong Kong	*23(a)*	**12,525**	5,605
Net income for the year recognised directly in equity		**12,525**	5,605
Net profit/(loss) for the year	*23(a)*	**6,187**	(23,113)
Total equity at 31st March		**262,552**	243,840

The notes on pages 32 to 77 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2007
(Expressed in Hong Kong dollars)

	Note	**2007**	2006
		$'000	*$'000*
OPERATING ACTIVITIES			
Profit/(loss) before taxation		**14,082**	(21,249)
Adjustments for:			
– Depreciation and amortisation	*5(c)*	**39,205**	37,209
– Interest income	*4(a)*	**(534)**	(338)
– Finance costs	*5(a)*	**18,582**	15,879
– Net (gain)/loss on disposal of fixed assets	*4(b)*	**(4,315)**	233
– Foreign exchange loss		**603**	701
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		**67,623**	32,435
Decrease in inventories		**6,401**	28,280
(Increase)/decrease in trade debtors, prepayments and deposits		**(20,849)**	19,691
Increase in trade creditors and accrued charges		**20,485**	4,229
(Decrease)/increase in bills payable		**(33,651)**	11,744
CASH GENERATED FROM OPERATIONS		**40,009**	96,379
Tax paid			
– Hong Kong Profits Tax paid		**—**	(954)
– The People's Republic of China income tax paid		**(7,140)**	(3,808)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**32,869**	91,617
INVESTING ACTIVITIES			
Payment for purchase of fixed assets		**(23,498)**	(88,661)
Interest received		**534**	338
Proceeds from disposal of fixed assets		**31,503**	117
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**8,539**	(88,206)

For the year ended 31st March, 2007
(Expressed in Hong Kong dollars)

	Note	2007	2006
		$'000	$'000
FINANCING ACTIVITIES			
Increase in pledged bank deposits		**(1,012)**	—
Proceeds from new bank loans		**525,799**	93,808
Repayment of bank loans		**(532,219)**	(107,872)
Interest element of finance lease rentals paid		**(1,496)**	(4)
Other borrowing costs paid		**(17,086)**	(16,208)
Proceeds from re-financing of fixed assets in the form of finance leases		**56,000**	—
Capital element of finance lease rentals paid		**(6,769)**	(433)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**23,217**	(30,709)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**64,625**	(27,298)
CASH AND CASH EQUIVALENTS AT 1ST APRIL		**(32,821)**	(6,344)
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**1,514**	821
CASH AND CASH EQUIVALENTS AT 31ST MARCH	*16*	**33,318**	(32,821)

The notes on pages 32 to 77 form part of these financial statements.

For the year ended 31st March, 2007
(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 ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31st March, 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain assets and liabilities are stated at their fair value as explained in the accounting policies set out below.

The Group has net current liabilities of $9,842,000 at 31st March, 2007 and its ability to operate as a going concern is dependent on the continuing availability of the facilities provided by the banks. The Group's management has prepared a cash flow forecast for the year ending 31st March, 2008 and discussed the facilities with major banks. Based on the cash flow forecast and outcome of these discussions, the Directors are of the opinion that the Group will be able to generate adequate cash flows from its operations and secure the necessary facilities from the banks to enable the Group to operate as a going concern. In addition, new facilities of $16,000,000 were granted by a bank subsequent to the balance sheet date. Accordingly, the financial statements have been prepared on a going concern basis.

For the year ended 31st March, 2007
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 30.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

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(h)).

For the year ended 31st March, 2007
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

Property, plant and equipment are carried in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(h)), with the exception of properties under development which are stated at cost less impairment losses (see note 1(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight-line method over their estimated useful lives as follows:

— Buildings situated on leasehold land are depreciated over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the leases.

— 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.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each is depreciated separately. The useful life of an asset is reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the exception of land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, which is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) 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 property, plant and equipment 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 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(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(h). 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.

Where property, plant and equipment are sold and leased back under finance leases, any excess of the sales proceeds over the carrying amount are deferred and amortised over the lease term. Any excess of the carrying amount over the sales proceeds are also deferred and amortised over the lease term, but only to the extent that there is no impairment.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leased assets *(Continued)*

(iii) 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.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(f) 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 is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(h)).

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1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets

(i) Impairment of receivables

For receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that property, plant and equipment, pre-paid interests in leasehold land classified as being held under an operating lease, 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.

— 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).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

— Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— 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.

(i) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(j) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(m)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

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1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Cash and 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.

(l) Income tax

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.

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.

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.

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1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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.

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, 2007
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

When the Company issues a financial guarantee for the borrowings of a subsidiary, the fair value of the guarantee is initially recognised as deferred income within accrued charges, and a corresponding increase in the Company's investment in the subsidiary is recognised on initial recognition of the deferred income.

The amount of the guarantee initially recognised as deferred income is amortised to the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(m)(ii) if and when it becomes probable that the holder of the guarantee will call upon the Company under the guarantee, and the amount of that claim on the Company is expected to exceed the amount currently carried in accrued charges in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other 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 expenditure 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, 2007
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) 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) 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.

(iii) Dividends

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

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(o) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Translation of foreign currencies *(Continued)*

The results of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the average foreign exchange rates for the year. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(p) Employee benefits

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

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.

(q) 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 expenditure for the asset is 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.

For the year ended 31st March, 2007
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(s) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Segment reporting *(Continued)*

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 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

Note 1 summarises the accounting policies of the Group after the adoption of these developments to the extent that they are relevant to the Group. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 31).

For the year ended 31st March, 2007
(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial guarantees issued (Amendments to HKAS 39, Financial instruments: Recognition and measurement: financial guarantee contracts)

In prior years, financial guarantees issued by the Company were disclosed as contingent liabilities in accordance with HKAS 37, Provisions, contingent liabilities and contingent assets. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantees would be called upon.

With effect from 1st April, 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Company has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37. Further details of the new policy are set out in note 1(m)(i).

The change in accounting policy has no material impact on the financial statements for the years presented. Details of the financial guarantees currently issued by the Company are set out in note 24.

3 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, 2007
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4 OTHER REVENUE AND NET INCOME/(LOSS)

	2007	2006
	$'000	*$'000*
(a) **Other revenue**		
Licence fee income	**6,277**	3,363
Interest income	**534**	338
Others	**984**	415
	7,795	4,116
(b) **Other net income/(loss)**		
Net gain/(loss) on disposal of fixed assets	**4,315**	(233)
Net exchange gain/(loss)	**791**	(524)
	5,106	(757)

5 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	2007	2006
	$'000	*$'000*
(a) **Finance costs:**		
Finance charges on obligations under finance leases	**1,496**	4
Interest on bank overdrafts and advances repayable within five years	**17,086**	16,208
	18,582	16,212
Less: Borrowing costs capitalised into properties under development *	**—**	(333)
	18,582	15,879

* The borrowing costs have been capitalised at a rate of 5.4% per annum.

	2007	2006
(b) **Staff costs: #**		
Contributions to defined contribution retirement plans	**3,908**	2,833
Salaries, wages and other benefits	**100,471**	80,391
	104,379	83,224

For the year ended 31st March, 2007
(Expressed in Hong Kong dollars)

5 PROFIT/(LOSS) BEFORE TAXATION *(Continued)*

Profit/(loss) before taxation is arrived at after charging/(crediting): *(Continued)*

	2007	2006
	$'000	*$'000*
(c) **Other items:**		
Cost of inventories sold #	**391,157**	370,580
Auditors' remuneration		
– audit services		
– provision for the year	**1,114**	1,009
– (over)/under-provision in respect of prior years	**(70)**	131
– tax services	**37**	173
– other services	**—**	168
Depreciation #		
– owned assets	**31,534**	36,203
– assets held under finance leases	**6,639**	172
Amortisation of land lease premium #	**1,032**	834
Operating lease charges for properties #	**2,009**	507
(Write-back of)/provision for impairment loss on receivables	**(106)**	857

\# Cost of inventories sold includes $108,397,000 (2006: $90,010,000) relating to staff costs, depreciation expenses, amortisation of land lease premium, and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

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6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2007	2006
	$'000	*$'000*
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**—**	25
Under-provision in respect of prior years	**—**	55
	—	80
Current tax – The People's Republic of China ("PRC") income tax		
Tax for the year	**7,507**	3,368
Under/(over)-provision in respect of prior years	**337**	(388)
	7,844	2,980
Deferred tax		
Origination and reversal of temporary differences	**353**	(3,476)
Effect of change in tax rate on deferred tax balances	**(302)**	2,280
	51	(1,196)
	7,895	1,864

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made in the financial statements for 2007 as the Group has tax losses brought forward which offset the current year's estimated assessable profits. The provision for Hong Kong Profits Tax for 2006 was calculated at 17.5% of the estimated assessable profits for that year.

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6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

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

PRC Income Tax

Pursuant to the income tax rules and regulations of the PRC, Dongguan New Island Printing Company Limited ("DNIP") and Shanghai New Island Packaging Printing Company Limited ("SNIP") are liable to PRC income tax at a rate of 27% (2006: 27%). However, DNIP has been granted a tax relief in 2006 as it has been recognised as an Export Enterprise. As a result, it is subject to income tax at an effective rate of 12% for the period from 1st January, 2006 to 31st December, 2006 and a rate of 27% for the period from 1st January, 2007 to 31st March, 2007.

On 16th March, 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which will take effect on 1st January, 2008. As a result of the New Tax Law, it is expected that the income tax rate for DNIP and SNIP will be reduced to 25% from 1st January, 2008. The new tax rate of 25% has been applied in the measurement of the Group's deferred tax liabilities as at 31st March, 2007 which are expected to be reversed subsequent to 1st January, 2008.

Bermuda tax

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/(loss) at applicable tax rates:

	2007	2006
	$'000	*$'000*
Profit/(loss) before taxation	**14,082**	(21,249)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits/(loss) in the jurisdictions concerned	**4,865**	(3,035)
Tax effect of non-deductible expenses	**2,823**	1,583
Tax effect of non-taxable revenue	**(480)**	(408)
Deferred tax assets not recognised	**652**	1,777
Tax effect of change in tax rate	**(302)**	2,280
Under/(over)-provision in prior years	**337**	(333)
Actual tax expense	**7,895**	1,864

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(Expressed in Hong Kong dollars)

7 DIRECTORS' REMUNERATION

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

For the year ended 31st March, 2007

	Directors' fees	Salaries, allowances and benefits	Retirement scheme contributions	Total
	$'000	*$'000*	*$'000*	*$'000*
Executive Directors				
Madam So Chau Yim Ping, BBS, JP	—	650	18	668
Mrs. Cheong So Ka Wai, Patsy	—	150	8	158
Mrs. Fung So Ka Wah, Karen	—	150	8	158
Mr. So Wah Sum, Conrad	—	910	42	952
Mr. Ho Hing Lim, Peter	—	1,350	9	1,359
Non-Executive Director				
Mr. Ting Woo Shou, Kenneth, SBS, JP	50	—	—	50
Independent Non-Executive Directors				
Mr. Hui Yin Fat, O.B.E., JP	50	—	—	50
Mr. She Chiu Shun, Ernest	50	—	—	50
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP	50	—	—	50
	200	3,210	85	3,495

Note: Mrs. Cheong So Ka Wai, Patsy and Mrs. Fung So Ka Wah, Karen were re-designated from Non-Executive Directors to Executive Directors on 19th May, 2006.

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(Expressed in Hong Kong dollars)

7 DIRECTORS' REMUNERATION *(Continued)*

For the year ended 31st March, 2006

	Directors' fees	Salaries, allowances and benefits	Retirement scheme contributions	Total
	$'000	*$'000*	*$'000*	*$'000*
Executive Directors				
Madam So Chau Yim Ping, BBS, JP	—	650	18	668
Mr. So Wah Sum, Conrad	—	910	42	952
Mr. Ho Hing Lim, Peter	—	1,800	12	1,812
Non-Executive Directors				
Mrs. Cheong So Ka Wai, Patsy	50	—	—	50
Mrs. Fung So Ka Wah, Karen	50	—	—	50
Mr. Ting Woo Shou, Kenneth, SBS, JP	50	—	—	50
Independent Non-Executive Directors				
Mr. Hui Yin Fat, O.B.E., JP	50	—	—	50
Mr. She Chiu Shun, Ernest	50	—	—	50
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP	50	—	—	50
	300	3,360	72	3,732

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, two (2006: three) are Directors whose emoluments are disclosed in note 7. The emoluments of the other three (2006: two) individuals are as follows:

	2007	2006
	$'000	*$'000*
Salaries, allowances and benefits in kind	**3,163**	1,924
Retirement scheme contributions	**54**	12
	3,217	1,936

The emoluments of the above three (2006: two) individuals with the highest emoluments are within the following bands:

	2007	2006
	Number of individuals	Number of individuals
Nil to $1,000,000	**1**	1
$1,000,001 to $1,500,000	**2**	1
	3	2

9 PROFIT/(LOSS) FOR THE YEAR

The consolidated profit/(loss) for the year includes a loss of $636,000 (2006: $737,000) which has been dealt with in the financial statements of the Company.

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit for the year of $6,187,000 (2006: loss of $23,113,000) and on the number of 222,529,000 (2006: 222,529,000) shares in issue during the year.

(b) Diluted earnings/(loss) per share

There were no dilutive potential shares during 2007 and 2006 and diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

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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:

	2007	2006
	$'000	*$'000*
Hong Kong	**99,761**	95,591
Other areas of the PRC	**224,962**	174,781
United States	**137,593**	144,269
Europe	**20,083**	17,119
Other countries	**12,213**	11,328
	494,612	443,088

12 FIXED ASSETS

(a) Group

	Buildings	Properties under development	Machinery Owned	Machinery Leased	Tools	Furniture and fixtures	Computer and office equipment	Motor vehicles	Sub-total	Interest in leasehold land held for own use under operating leases	Total fixed assets
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:											
At 1st April, 2005	226,956	8,479	310,010	6,383	8,027	22,868	25,607	10,515	618,845	38,935	657,780
Exchange adjustments	2,388	164	2,559	—	—	72	277	70	5,530	419	5,949
Additions	68	28,766	59,246	—	110	1,112	1,939	979	92,220	—	92,220
Transfer from properties under development	29,166	(29,222)	56	—	—	—	—	—	—	—	—
Disposals	—	—	(98)	—	—	(448)	(249)	(963)	(1,758)	—	(1,758)
Reclassification	—	—	6,383	(6,383)	—	—	—	—	—	—	—
At 31st March, 2006	258,578	8,187	378,156	—	8,137	23,604	27,574	10,601	714,837	39,354	754,191
Accumulated amortisation and depreciation:											
At 1st April, 2005	53,422	—	162,420	1,417	5,521	19,867	18,856	6,986	268,489	7,730	276,219
Exchange adjustments	601	—	1,174	—	—	36	185	47	2,043	94	2,137
Charge for the year	8,833	—	22,465	172	679	750	2,399	1,077	36,375	834	37,209
Written back on disposal	—	—	(46)	—	—	(358)	(41)	(963)	(1,408)	—	(1,408)
Reclassification	—	—	1,589	(1,589)	—	—	—	—	—	—	—
At 31st March, 2006	62,856	—	187,602	—	6,200	20,295	21,399	7,147	305,499	8,658	314,157
Net book value:											
At 31st March, 2006	195,722	8,187	190,554	—	1,937	3,309	6,175	3,454	409,338	30,696	440,034

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12 FIXED ASSETS *(Continued)*

(a) Group *(Continued)*

	Buildings	Properties under development	Machinery Owned	Machinery Leased	Tools	Furniture and fixtures	Computer and office equipment	Motor vehicles	Sub-total	Interest in leasehold land held for own use under operating leases	Total fixed assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:											
At 1st April, 2006	258,578	8,187	378,156	–	8,137	23,604	27,574	10,601	714,837	39,354	754,191
Exchange adjustments	8,199	132	9,518	–	–	212	872	208	19,141	1,167	20,308
Additions	933	6,414	6,554	–	230	194	2,628	184	17,137	4,628	21,765
Transfer from properties under development	8,018	(8,018)	–	–	–	–	–	–	–	–	–
Disposals	(38,460)	–	(14,469)	–	–	(320)	(465)	(1,106)	(54,820)	(7,832)	(62,652)
Reclassification	–	–	(184,535)	184,535	–	–	–	–	–	–	–
At 31st March, 2007	237,268	6,715	195,224	184,535	8,367	23,690	30,609	9,887	696,295	37,317	733,612
Accumulated amortisation and depreciation:											
At 1st April, 2006	62,856	–	187,602	–	6,200	20,295	21,399	7,147	305,499	8,658	314,157
Exchange adjustments	2,227	–	4,174	130	–	116	652	88	7,387	310	7,697
Charge for the year	9,029	–	17,523	6,639	561	776	2,489	1,156	38,173	1,032	39,205
Written back on disposal	(17,472)	–	(13,523)	–	–	(278)	(459)	(1,106)	(32,838)	(2,626)	(35,464)
Reclassification	–	–	(78,414)	78,414	–	–	–	–	–	–	–
At 31st March, 2007	56,640	–	117,362	85,183	6,761	20,909	24,081	7,285	318,221	7,374	325,595
Net book value:											
At 31st March, 2007	180,628	6,715	77,862	99,352	1,606	2,781	6,528	2,602	378,074	29,943	408,017

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12 FIXED ASSETS *(Continued)*

(b) **The analysis of net book value of properties is as follows:**

	2007	2006
	$'000	*$'000*
Situated in Hong Kong and held under medium term leases	**86,157**	92,541
Situated outside Hong Kong and held under medium term leases	**131,129**	142,064
	217,286	234,605
Representing:		
Buildings	**180,628**	195,722
Interest in leasehold land held for own use under operating leases	**29,943**	30,696
Properties under development	**6,715**	8,187
	217,286	234,605

(c) **Fixed assets held under finance leases**

The Group leases machinery under finance leases expiring from three to four years. At the end of the lease term the Group has the option to purchase the leased equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals. At the balance sheet date, the net book value of machinery held under finance leases of the Group was $99,352,000 (2006: $Nil).

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	$'000	*$'000*
Unlisted shares, at cost	**82,360**	82,360
Amount due from a subsidiary	**43,609**	44,249
	125,969	126,609

Amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

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13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains only the particulars of the 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	Percentage of ownership interest held by the Company 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	Distribution of paper products
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 $100,000,000	—	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

Inventories in the balance sheet comprise:

	Group	
	2007	2006
	$'000	*$'000*
Raw materials	**45,035**	51,087
Work in progress	**15,807**	15,401
Finished goods	**13,190**	12,298
	74,032	78,786

The analysis of the amount of inventories recognised as an expense is as follows:

	Group	
	2007	2006
	$'000	*$'000*
Carrying amount of inventories sold	**390,530**	370,580
Write-down of inventories	**627**	—
	391,157	370,580

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15 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

All trade debtors, prepayments and deposits, apart from deposits of the Group amounting to $1,369,000 (2006: $1,352,000), are expected to be recovered within one year.

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

	Group	
	2007	2006
	$'000	*$'000*
Current	**64,185**	46,733
One to three months overdue	**22,840**	22,373
More than three months overdue	**11,433**	9,185
	98,458	78,291

The Group's credit policy is set out in note 25(a).

Included in trade debtors, prepayments and deposits are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2007	2006
	'000	*'000*
United States Dollar	**USD5,917**	USD3,216

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16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Cash at bank and in hand	**54,294**	29,976	**34**	35
Pledged bank deposits #	**(11,134)**	(9,615)	**—**	—
Cash and cash equivalents in the balance sheet	**43,160**	20,361	**34**	35
Bank overdrafts (note 17)	**(9,842)**	(53,182)		
Cash and cash equivalents in the cash flow statement	**33,318**	(32,821)		

At 31st March, 2007, bank deposits of RMB11,000,000 (2006: RMB10,000,000) were pledged as security against banking facilities amounting to RMB25,000,000 (2006: RMB10,000,000), equivalent to $25,304,000 (2006: $9,615,000), extended to the Group. Such facilities were fully utilised at 31st March, 2007 and 2006.

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2007	2006
	'000	*'000*
United States Dollar	**USD320**	USD545

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17 BANK LOANS AND OVERDRAFTS

At 31st March, 2007, bank loans and overdrafts were repayable as follows:

	Group	
	2007	2006
	$'000	*$'000*
Within one year or on demand	**130,391**	254,294
After one year but within two years	**80,199**	6,000
After two years but within five years	**2,778**	—
	82,977	6,000
	213,368	260,294

At 31st March, 2007, bank loans and overdrafts were secured as follows:

	2007	2006
	$'000	*$'000*
Bank overdrafts		
– secured	**1,046**	12,072
– unsecured	**8,796**	41,110
	9,842	53,182
Bank loans		
– secured	**109,256**	108,592
– unsecured	**94,270**	98,520
	203,526	207,112
	213,368	260,294

17 BANK LOANS AND OVERDRAFTS *(Continued)*

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, trade debtors and bank deposits pledged with an aggregate carrying value of $276,417,000 (2006: $185,943,000) at 31st March, 2007. Such banking facilities amounted to $166,237,000 (2006: $189,746,000). The facilities were utilised to the extent of $111,901,000 (2006: $163,946,000) at 31st March, 2007, comprising bank loans and overdrafts of $110,302,000 (2006: $120,664,000) and bills payable of $1,599,000 (2006: $43,282,000).

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet and profitability ratios and the amount of capital expenditure incurred, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 25(b). As at 31st March, 2007, none of the covenants relating to drawn down facilities have been breached.

As at 31st March, 2006, the Group had breached the financial covenants of several banking facilities. Such banking facilities, amounting to $207,075,000 were utilised to the extent of $178,741,000 as at 31st March, 2006. Included in the amount utilised at 31st March, 2006 was $31,275,000 which, in accordance with the terms of the banking facilities, was scheduled to be repaid after one year from the balance sheet date, but was classified as current liabilities in the consolidated balance sheet as the Group did not have an unconditional right at the balance sheet date to defer settlement for at least the next twelve months as a result of the breach of the covenants. Subsequent to 31st March, 2006, the Group received waivers from compliance with those covenants.

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, 2007, the Group had obligations under finance leases payable as follows:

	2007			2006		
	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	**15,805**	**2,319**	**18,124**	—	—	—
After one year but within two years	**16,706**	**1,661**	**18,367**	—	—	—
After two years but within five years	**16,720**	**508**	**17,228**	—	—	—
	33,426	**2,169**	**35,595**	—	—	—
	49,231	**4,488**	**53,719**	—	—	—

19 TRADE CREDITORS AND ACCRUED CHARGES

	Group		**Company**	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Trade creditors	**48,769**	38,977	**—**	—
Other payables and accrued charges	**36,423**	25,280	**102**	107
	85,192	64,257	**102**	107

All of the other payables and accrued charges are expected to be settled within one year.

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19 TRADE CREDITORS AND ACCRUED CHARGES *(Continued)*

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

	Group	
	2007	2006
	$'000	*$'000*
Current	**32,056**	26,839
One to three months overdue	**13,470**	11,667
More than three months overdue	**3,243**	471
	48,769	38,977

Included in trade creditors and accrued charges are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2007	2006
	'000	*'000*
United States Dollar	**USD498**	USD612

20 BILLS PAYABLE

An ageing analysis of bills payable is as follows:

	Group	
	2007	2006
	$'000	*$'000*
Due within one month	**11,735**	12,921
Due after one month but within two months	**3,779**	7,160
Due after two months but within three months	**1,933**	29,435
	17,447	49,516

Included in bills payable are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2007	2006
	'000	*'000*
Renminbi	**RMB —**	RMB 30,063
United States Dollar	**USD 556**	USD 1,412

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21 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	Group	
	2007	2006
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**—**	25
Balance of Profits Tax recoverable relating to prior years	**(3,739)**	(3,764)
	(3,739)	(3,739)
PRC income tax payable	**1,792**	1,034
	(1,947)	(2,705)
Representing:		
Current taxation payable	**1,817**	1,219
Current taxation recoverable	**(3,764)**	(3,924)
	(1,947)	(2,705)

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

(b) **Deferred tax assets and liabilities recognised:**

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	Impairment losses for bad and doubtful debts	Future benefits of tax losses	Total
	$'000	*$'000*	*$'000*	*$'000*
Deferred tax arising from:				
At 1st April, 2005	22,227	(906)	(956)	20,365
Charged/(credited) to consolidated income statement	1,164	207	(2,567)	(1,196)
At 31st March, 2006	23,391	(699)	(3,523)	19,169
At 1st April, 2006	23,391	(699)	(3,523)	19,169
(Credited)/charged to consolidated income statement	(2,241)	231	2,061	51
At 31st March, 2007	**21,150**	**(468)**	**(1,462)**	**19,220**

(c) **Deferred tax assets not recognised:**

In accordance with the accounting policy set out in note 1(l), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $4,168,000 (2006: $Nil) and deductible temporary differences of $24,505,000 (2006: $14,810,000) as it is not probable that future taxable profits against which the cumulative tax losses and deductible temporary differences can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire in 2012 under the current tax legislation.

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22 SHARE CAPITAL

	2007	2006
	$'000	$'000
Authorised:		
380,000,000 ordinary shares of $0.1 each	**38,000**	38,000
Issued and fully paid:		
222,529,000 ordinary shares of $0.1 each	**22,253**	22,253

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

23 RESERVES

(a) Group

	Share premium	Exchange reserve	Statutory surplus reserve	Other reserves	Retained profits	Total
	$'000	$'000	$'000	$'000	$'000	$'000
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	—	5,605	—	—	—	5,605
Transfer	—	—	1,700	144	(1,844)	—
Loss for the year	—	—	—	—	(23,113)	(23,113)
At 31st March, 2006	37,741	641	14,487	4,731	163,987	221,587

23 RESERVES *(Continued)*

(a) Group *(Continued)*

	Share premium $'000	Exchange reserve $'000	Statutory surplus reserve $'000	Other reserves $'000	Retained profits $'000	Total $'000
At 1st April, 2006	37,741	641	14,487	4,731	163,987	221,587
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	12,525	—	—	—	12,525
Transfer	—	—	1,780	33	(1,813)	—
Profit for the year	—	—	—	—	6,187	6,187
At 31st March, 2007	37,741	13,166	16,267	4,764	168,361	240,299

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(o)).

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.

23 RESERVES *(Continued)*

(b) Company

	Share premium $'000	Contributed surplus $'000	Retained profits/ (accumulated losses) $'000	Total $'000
At 1st April, 2005	37,741	67,360	72	105,173
Loss for the year (note 9)	—	—	(737)	(737)
At 31st March, 2006	37,741	67,360	(665)	104,436
At 1st April, 2006	37,741	67,360	(665)	104,436
Loss for the year (note 9)	—	—	(636)	(636)
At 31st March, 2007	**37,741**	**67,360**	**(1,301)**	**103,800**

The application of the share premium account is governed by the Bermuda Companies Act 1981 ("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, 2007 are $66,059,000 (2006: $66,695,000). The Directors do not recommend the payment of a final dividend (2006: Nil) for the year ended 31st March, 2007.

24 CONTINGENT LIABILITIES

The Company has given guarantees to banks to secure facilities of $307 million (2006: $382 million) granted to subsidiaries. Under the guarantees, the Company is liable for the borrowings and finance leases of the subsidiaries from the banks which are the beneficiaries of the guarantees.

At the balance sheet date, the Directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees is the amount of the facilities drawn down by all the subsidiaries which are covered by the guarantees, being $192 million (2006: $268 million).

The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured and their transaction price is $Nil.

25 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are generally performed on all customers requiring credit over a certain amount. Trade receivables are due not more than 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

At the balance sheet date, the Group has a certain concentration of credit risk as 7% (2006: 6%) and 20% (2006: 27%) of the total trade and other receivables were due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not provide any guarantee which would expose the Group to credit risk.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

25 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

In respect of the income-earning financial assets and interest-bearing financial liabilities of the Group, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

	2007				2006			
	Effective interest rate p.a.	**Total**	**1 year or less**	**1 - 2 years**	Effective interest rate p.a.	Total	1 year or less	1 - 2 years
	%	**$'000**	**$'000**	**$'000**	%	$'000	$'000	$'000
Repricing dates for assets/ (liabilities) which reprice before maturity								
Cash at bank and in hand	**0.73**	**54,294**	**54,294**	**—**	0.72	29,976	29,976	—
Bank overdrafts	**8.00**	**(9,842)**	**(9,842)**	**—**	7.75	(53,182)	(53,182)	—
Bills payable	**5.33**	**(12,724)**	**(12,724)**	**—**	5.37	(49,516)	(49,516)	—
Bank loans	**6.19**	**(58,818)**	**(58,818)**	—	5.34	(153,266)	(153,266)	—
Obligations under finance leases	**5.55**	**(49,231)**	**(49,231)**	**—**	—	—	—	—
		(76,321)	**(76,321)**	**—**		(225,988)	(225,988)	—
Maturity dates for liabilities which do not reprice before maturity								
Bank loans	**6.00**	**(144,708)**	**(107,056)**	**(37,652)**	5.54	(53,846)	(53,846)	—

(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

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25 FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair values

Amount due from a subsidiary is interest-free and has no fixed terms of repayment. Given such terms, it is not meaningful to disclose its fair value. All other financial instruments are carried at amounts not materially different from their fair values as at 31st March, 2007 and 2006.

(f) Estimation of fair values

(i) Interest-bearing loans and borrowings and finance lease liabilities

The fair value of interest-bearing loans and borrowings and finance lease liabilities is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(ii) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

26 COMMITMENTS

(a) Capital commitments outstanding at 31st March, 2007 not provided for in the financial statements were as follows:

	Group	
	2007	2006
	$'000	*$'000*
Contracted for	**7,104**	2,088

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26 COMMITMENTS *(Continued)*

(b) **At 31st March, 2007, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:**

	Group	
	2007	2006
	$'000	*$'000*
Within one year	**397**	480
After one year but within five years	**815**	1,566
After five years	**4,503**	3,863
	5,715	5,909

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to fifteen years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

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 the 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 Schemes 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 Scheme and various PRC schemes for the year of $3,908,000 (2006: $2,833,000) were charged to the income statement.

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28 MATERIAL RELATED PARTY TRANSACTIONS

(a) **Transactions with related companies**

During the year, the Group sold packaging products to companies which are controlled by a Non-Executive Director amounting to $11,111,000 (2006: $9,280,000), under normal commercial terms. Amounts due from such companies at 31st March, 2007 amounted to $2,533,000 (2006: $3,621,000).

(b) **Key management personnel remuneration**

Remuneration for key management personnel represents amounts paid to Directors and individuals with highest emoluments as disclosed in notes 7 and 8.

29 ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company at 31st March, 2007 to be Ka Chau Enterprises (B.V.I.) Ltd, incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

30 ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 25(f) contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

For the year ended 31st March, 2007
(Expressed in Hong Kong dollars)

30 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Impairments

Internal and external sources of information are reviewed by the Group at each balance sheet date to assess whether there is any indication that fixed assets and investments in subsidiaries may be impaired. If any such indication exists, the recoverable amounts of the assets are estimated to determine impairment losses on the assets. Changes in facts and circumstances may affect the conclusion of whether an indication of impairment exists and result in revised estimates of recoverable amounts, which would affect profit or loss in future years.

Impairment losses on receivables are assessed and provided based on the Directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the Directors when assessing the creditworthiness and past collection history of each individual customer. Any increase or decrease in impairment losses would affect profit or loss in future years.

Going concern

As disclosed in note 1(b), the Directors have prepared the financial statements on a going concern basis as they are of the opinion that the Group will be able to generate adequate cash flows from its operations and secure the necessary facilities from the banks in the next twelve months to enable the Group to operate as a going concern. This conclusion is arrived at after reviewing the cash flow forecast prepared by the Group's management and taking into account the outcome of ongoing discussions with its major banks. Any significant deviations from the assumptions adopted by the management in preparing the cash flow forecast of the Group and discontinuation of bank facilities could affect the conclusion that the Group is able to continue as going concern.

For the year ended 31st March, 2007
(Expressed in Hong Kong dollars)

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST MARCH, 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31st March, 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial instruments: disclosures	1st January, 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1st January, 2007

(Expressed in Hong Kong dollars)

	2003 *$'000*	2004 *$'000*	2005 *$'000*	2006 *$'000*	**2007** ***$'000***
OPERATING RESULTS					
Turnover	451,530	435,411	471,142	443,088	**494,612**
Profit/(loss) from operations	28,753	32,275	14,315	(5,370)	**32,664**
Finance costs	(10,874)	(10,512)	(7,973)	(15,879)	**(18,582)**
Profit/(loss) before taxation	17,879	21,763	6,342	(21,249)	**14,082**
Income tax	(6,692)	(4,780)	(2,370)	(1,864)	**(7,895)**
Profit/(loss) for the year	11,187	16,983	3,972	(23,113)	**6,187**

	2003 *$'000*	2004 *$'000*	2005 *$'000*	2006 *$'000*	**2007** ***$'000***
ASSETS AND LIABILITIES					
Fixed assets	407,710	401,029	381,561	440,034	**408,017**
Net current liabilities	(68,552)	(24,431)	(93,144)	(171,025)	**(9,842)**
Total assets less current liabilities	339,158	376,598	288,417	269,009	**398,175**
Non-current liabilities	(90,328)	(115,808)	(27,069)	(25,169)	**(135,623)**
	248,830	260,790	261,348	243,840	**262,552**
Share capital	22,253	22,253	22,253	22,253	**22,253**
Reserves	226,577	238,537	239,095	221,587	**240,299**
	248,830	260,790	261,348	243,840	**262,552**

Note: The HKICPA has issued a number of new or revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1st January, 2005. Figures for 2006 and onwards have been adjusted for these new and revised HKFRSs. Figures for earlier years have only been restated to the extent that the new accounting standards are adopted retrospectively.