



NEW ISLAND PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 377)

新 洲 印 刷 集 團 有 限 公 司

(於百慕達註冊成立之有限公司)

(股份代號 : 377)

2007/2008 INTERIM REPORT

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NEW ISLAND PRINTING HOLDINGS LIMITED

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INTERIM REPORT 2007/2008

CORPORATE INFORMATION

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 1901-02
Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

STOCK CODE

377

WEBSITE

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

INTERIM RESULTS

The board of directors (“the Directors”) of New Island Printing Holdings Limited (“the Company”) announces the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30th September, 2007 as follows:-

CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2007 — unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30th September,	
	Note	2007 \$'000	2006 \$'000
Turnover	2	283,624	277,638
Cost of sales		(226,677)	(219,318)
		56,947	58,320
Other revenue		4,146	2,723
Other net income		7,250	2,337
Selling and distribution costs		(15,423)	(14,868)
Administrative expenses		(33,271)	(27,942)
Profit from operations		19,649	20,570
Finance costs	3(a)	(8,538)	(9,547)
Profit before taxation	3	11,111	11,023
Income tax	4	(1,002)	(2,658)
Profit for the period	13	10,109	8,365
Earnings per share			
– Basic	5(a)	4.54 cents	3.76 cents
– Diluted	5(b)	4.54 cents	3.76 cents

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

CONSOLIDATED BALANCE SHEET
At 30th September, 2007 — unaudited
(Expressed in Hong Kong dollars)

		At 30th September, 2007		At 31st March, 2007	
	Note	\$'000	\$'000	\$'000	\$'000
NON-CURRENT ASSETS					
Fixed assets					
— Property, plant and equipment			363,649		378,074
— Interest in leasehold land held for own use under operating leases			29,929		29,943
			393,578		408,017
CURRENT ASSETS					
Inventories		90,173		74,032	
Trade debtors, prepayments and deposits	6	180,007		108,720	
Current taxation recoverable		—		3,764	
Pledged bank deposit	7	1,038		11,134	
Cash and cash equivalents		37,163		43,160	
		308,381		240,810	
CURRENT LIABILITIES					
Bank loans and overdrafts	8	131,849		130,391	
Obligations under finance leases	9	24,109		15,805	
Trade creditors and accrued charges	10	124,858		85,192	
Bills payable	11	27,657		17,447	
Current taxation payable		2,192		1,817	
		310,665		250,652	
NET CURRENT LIABILITIES			(2,284)		(9,842)
TOTAL ASSETS LESS CURRENT LIABILITIES			391,294		398,175

CONSOLIDATED BALANCE SHEET*At 30th September, 2007 — unaudited (Continued)**(Expressed in Hong Kong dollars)*

		At 30th September, 2007		At 31st March, 2007	
	Note	\$'000	\$'000	\$'000	\$'000
NON-CURRENT LIABILITIES					
Bank loans	8	80,367		82,977	
Obligations under finance leases	9	17,360		33,426	
Deferred taxation		17,532		19,220	
			(115,259)		(135,623)
NET ASSETS			276,035		262,552
CAPITAL AND RESERVES					
Share capital	12		22,253		22,253
Reserves	13		253,782		240,299
TOTAL EQUITY			276,035		262,552

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30th September, 2007 — unaudited
(Expressed in Hong Kong dollars)

		Six months ended	
		30th September,	
	<i>Note</i>	2007	2006
		\$'000	\$'000
Total equity at 1st April		262,552	243,840
Exchange differences arising on translation of the financial statements of subsidiaries outside Hong Kong	<i>13</i>	3,374	5,997
Net income for the period recognised directly in equity		3,374	5,997
Net profit for the period	<i>13</i>	10,109	8,365
Total equity at 30th September		276,035	258,202

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30th September, 2007 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended	
	30th September,	
	2007	2006
	\$'000	\$'000
Cash used in operations	(6,279)	(9,316)
Tax refunded/(paid)	1,503	(2,988)
Net cash used in operating activities	(4,776)	(12,304)
Net cash generated from investing activities	8,503	1,359
Net cash (used in)/generated from financing activities	(3,202)	38,996
Net increase in cash and cash equivalents	525	28,051
Cash and cash equivalents at 1st April	33,318	(32,821)
Effect of foreign exchange rates changes	1,100	375
Cash and cash equivalents at 30th September	34,943	(4,395)
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	38,201	37,100
Bank overdrafts	(2,220)	(30,711)
	35,981	6,389
Pledged bank deposit	(1,038)	(10,784)
	34,943	(4,395)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise stated)

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 21st December, 2007.

The accounting policies adopted in the preparation of this interim financial report are consistent with those set out in the Group’s 2007 annual financial statements.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

This interim financial report is unaudited, but has been reviewed by the independent auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on pages 15. This interim financial report has also been reviewed by the Audit Committee of the Company.

The financial information relating to the financial year ended 31st March, 2007 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st March, 2007 are available from the Company’s registered office. The independent auditor has expressed an unqualified opinion on those financial statements in the independent auditor’s report dated 20th July, 2007.

The interim financial report has been prepared on a going concern basis notwithstanding the net current liabilities of \$2,284,000 at 30th September, 2007. The ability of the Group to operate as a going concern is dependent on the continuing availability of the facilities provided by the banks. The Directors are of the opinion that the banks will continue to grant adequate facilities to the Group. Furthermore, the Directors consider the Group will be able to generate adequate cash flows from its operations based on the cash flow forecast for the year ending 30th September, 2008 prepared by the Group’s management. Accordingly, the interim financial report has been prepared on a going concern basis.

2. TURNOVER

The principal activities of the Group are printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

Turnover represents the invoiced value of goods sold, net of sales tax, returns and discounts.

All the Group’s turnover and operating result are generated from the printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products. Further, the Group’s business participates in only one geographical location classified by the location of assets, i.e. the People’s Republic of China (“PRC”). Accordingly, no segmental analysis is provided.

3. PROFIT BEFORE TAXATION

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

	Six months ended 30th September,	
	2007	2006
	\$'000	\$'000
(a) <i>Finance costs:</i>		
Finance charges on obligations under finance leases	1,333	376
Interest payable on bank loans and overdrafts	7,205	9,171
	<hr/>	<hr/>
	8,538	9,547
(b) <i>Other items:</i>		
Cost of inventories sold	226,677	219,318
Depreciation		
- owned assets	12,626	18,366
- assets held under finance leases	5,745	1,336
Amortisation of land lease premium	387	479
Gain on disposal of fixed assets	(6,185)	(1,960)
	<hr/>	<hr/>

4. INCOME TAX

	Six months ended 30th September,	
	2007	2006
	\$'000	\$'000
<i>Current tax - Provision for Hong Kong Profits Tax</i>		
Tax for the period	992	—
<i>Current tax - PRC income tax</i>		
Tax for the period	1,644	4,468
	<hr/>	<hr/>
	2,636	4,468
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(1,634)	(1,810)
	<hr/>	<hr/>
	1,002	2,658
	<hr/>	<hr/>

Hong Kong Profits Tax

The provision for Hong Kong Profits Tax for the period is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the period.

4. INCOME TAX (Continued)

PRC Income Tax

Income tax for subsidiaries in the PRC is calculated using the estimated annual effective rates of taxation that would be applicable to the relevant areas in which the subsidiaries operate, being 27% (2006: 27%).

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 subsidiaries in the PRC 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 30th September, 2007 which are expected to be reversed subsequent to 1st January, 2008.

5. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit for the period of \$10,109,000 (2006: \$8,365,000) and on the number of 222,529,000 shares (2006: 222,529,000 shares) in issue during the period.

(b) Diluted earnings per share

There were no dilutive potential shares during the six months ended 30th September, 2007 and 2006 and diluted earnings per share is the same as basic earnings per share.

6. TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

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

	At 30th September, 2007 \$'000	At 31st March, 2007 \$'000
Current	88,786	64,185
One to three months overdue	55,148	22,840
More than three months overdue	4,058	11,433
	<hr/> 147,992	<hr/> 98,458

Trade debtors are due not more than 90 days from the date of billing.

7. PLEDGED BANK DEPOSIT

At 30th September, 2007, bank deposit of RMB1,000,000 (equivalent to \$1,038,000) (31st March, 2007: RMB11,000,000 (equivalent to \$11,134,000)) was pledged as security against banking facilities amounting to RMB15,000,000 (equivalent to \$15,576,000) (31st March, 2007: RMB 25,000,000 (equivalent to \$25,304,000)), extended to the Group.

8. BANK LOANS AND OVERDRAFTS

At the balance sheet date, bank loans and overdrafts were repayable as follows:

	At 30th September, 2007 \$'000	At 31st March, 2007 \$'000
Within one year or on demand	131,849	130,391
After one year but within two years	53,560	80,199
After two years but within five years	26,807	2,778
	80,367	82,977
	212,216	213,368

At the balance sheet date, bank loans and overdrafts were secured as follows:

	At 30th September, 2007 \$'000	At 31st March, 2007 \$'000
Bank overdrafts		
- secured	1,196	1,046
- unsecured	1,024	8,796
	2,220	9,842
Bank loans		
- secured	138,215	109,256
- unsecured	71,781	94,270
	209,996	203,526
	212,216	213,368

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, machinery, trade debtors and bank deposit pledged with an aggregate carrying value of \$251,281,000 (31st March, 2007: \$276,417,000) at 30th September, 2007. Such banking facilities, amounted to \$190,331,000 (31st March, 2007: \$166,237,000) and were utilised to the extent of \$152,144,000 (31st March, 2007: \$111,901,000) at 30th September, 2007, comprising bank loans and overdrafts of \$139,411,000 (31st March, 2007: \$110,302,000) and bills payable of \$12,733,000 (31st March, 2007: \$1,599,000).

8. BANK LOANS AND OVERDRAFTS *(Continued)*

Certain of the Group's banking facilities are subject to the fulfillment 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. As at 30th September, 2007 and 31st March, 2007, none of the covenants relating to drawn down facilities have been breached.

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.

9. OBLIGATIONS UNDER FINANCE LEASES

At the balance sheet date, the Group had obligations under finance leases payable as follows:

	At 30th September, 2007			At 31st March, 2007		
	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000
Within one year	24,109	1,550	25,659	15,805	2,319	18,124
After one year but within two years	12,794	730	13,524	16,706	1,661	18,367
After two years but within five years	4,566	74	4,640	16,720	508	17,228
	17,360	804	18,164	33,426	2,169	35,595
	41,469	2,354	43,823	49,231	4,488	53,719

10. TRADE CREDITORS AND ACCRUED CHARGES

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

	At 30th September,	At 31st March,
	2007	2007
	\$'000	\$'000
Current	55,078	32,056
One to three months overdue	27,533	13,470
More than three months overdue	1,102	3,243
	83,713	48,769

11. BILLS PAYABLE

Ageing analysis of bills payable is as follows:

	At 30th September,	At 31st March,
	2007	2007
	\$'000	\$'000
Due within one month	6,530	11,735
Due after one month but within two months	12,450	3,779
Due after two months but within three months	8,677	1,933
	27,657	17,447

12. SHARE CAPITAL

	No. of	Amount
	shares	\$'000
	'000	'000
Issued and fully paid shares of \$0.1 each:		
At 1st April, 2007 and 30th September, 2007	222,529	22,253

13. RESERVES

	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	—	5,997	—	—	—	5,997
Profit for the period	—	—	—	—	8,365	8,365
At 30th September, 2006	37,741	6,638	14,487	4,731	172,352	235,949
At 1st October, 2006	37,741	6,638	14,487	4,731	172,352	235,949
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	6,528	—	—	—	6,528
Transfer	—	—	1,780	33	(1,813)	—
Loss for the period	—	—	—	—	(2,178)	(2,178)
At 31st March, 2007	37,741	13,166	16,267	4,764	168,361	240,299
At 1st April, 2007	37,741	13,166	16,267	4,764	168,361	240,299
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	3,374	—	—	—	3,374
Profit for the period	—	—	—	—	10,109	10,109
At 30th September, 2007	37,741	16,540	16,267	4,764	178,470	253,782

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

According to the prevailing PRC laws and regulations, a wholly-owned foreign enterprise is required to transfer a certain percentage of its profit after taxation to a statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital of the enterprise. The transfer to the reserve has to be made before distribution of dividends to shareholders. The statutory surplus reserve can be used to make good previous years' losses, and 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.

14. COMMITMENTS

Capital commitments outstanding at 30th September, 2007, not provided for in the interim financial report

	At 30th September,	At 31st March,
	2007	2007
	\$'000	\$'000
Contracted for	8,728	7,104

15. MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group sold packaging products to companies which are controlled by a Non-Executive Director amounting to \$9,520,000 (2006: \$7,659,000), under normal commercial terms. Amounts due from such companies at 30th September, 2007 amounted to \$7,125,000 (31st March, 2007: \$2,533,000).

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

16. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 21st December, 2007.

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

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 2 to 14 which comprises the consolidated balance sheet of New Island Printing Holdings Limited as of 30th September, 2007 and the consolidated income statement, the consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and the explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30th September, 2007 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

21st December, 2007

BUSINESS REVIEW AND OUTLOOK

The Group reported a turnover of approximately HK\$283.6 million for the six months period ended 30th September, 2007 (the “Review Period”), as compared to approximately HK\$277.6 million for the corresponding period in 2006/2007 (the “Corresponding Period”). Profit before taxation and net profit for the Review Period increased to approximately HK\$11.1 million and approximately HK\$10.1 million, as compared to approximately HK\$11.0 million and approximately HK\$8.4 million for the Corresponding Period.

During the Review Period, turnover increased by approximately 2% over the Corresponding Period due mainly to an increase in overseas sales. However, with the rising cost pressures, the operating environment remained difficult and challenging. Driven by further increments in statutory wages in the Guangdong Province and the Shanghai areas, labour costs continued to increase. Coupled with the increase in raw material costs, and notwithstanding the efforts made by the Group to improve production efficiencies, gross profit margin declined marginally from approximately 21.0% during the Corresponding Period to approximately 20.1% during the Review Period. Accordingly, gross profit also declined by approximately 2% from the Corresponding Period to approximately HK\$56.9 million for the Review Period.

To counter the rising cost pressures, the Group continued to take measures, including the retraining of workers, the reorganisation of workshops and the automation of selected hand assembly processes, with a view to improve productivities and production efficiencies. The Group had also completed during the Review Period the construction of a new factory building with a gross floor area of approximately 146,000 sq.ft. for the Shanghai plant and continued to review the Shanghai plant’s operational requirements which had led to the decision to dispose of certain machineries. The disposal of these machineries generated positive gains for the Group during the Review Period.

Due mainly to an increase in freight costs reflecting by the increase in turnover especially in overseas sales as well as the increase in freight rates, selling and distribution costs during the Review Period increased by approximately 4% over the Corresponding Period. Administration expenses increased by approximately 19% during the Review Period when compared to the Corresponding Period due mainly to the inclusion of the depreciation expenses associated with the recently completed administration block at the Dongguan plant and an increase in various administrative fees in connection with the Group’s operations in the PRC.

Finance costs during the Review Period, on the other hand, fell by approximately 11% from the Corresponding Period as the Group continued to strengthen its financial position and cut down the level of its borrowings. There was also a reduction of approximately HK\$1.7 million in income tax when compared to the Corresponding Period as the Group took advantage of the tax relieves of a Shanghai subsidiary which commenced operations during the Review Period. Accordingly, net profit increased by approximately 21% from the Corresponding Period to approximately HK\$10.1 million for the Review Period.

With a view to further strengthening its financial standing, the Group continued to adopt a prudent financial management approach. In spite of the increase in working capital financing for the high season with inventories and trade debtors increasing by a total of approximately HK\$66 million from the end of the last financial year to the end of the Review period, the net borrowings (defined as total borrowings less cash holdings) of the Group increased by only approximately HK\$17 million during the same period. Net current liabilities, in fact, fell from approximately HK\$10 million as at 31st March, 2007 to approximately HK\$2 million as at 30th September, 2007. The Directors are confident that the Group would be able to continue to strengthen its financial position particularly when the high season effects subsided by the end of the financial year.

FINANCIAL AND CAPITAL RESOURCES

During the Review Period, the Group spent a total of approximately HK\$14 million on fixed assets investment. These investing activities and the daily operating activities of the Group were generally funded by the cash flow generated from the Group's operations and its banking facilities.

As at 30th September, 2007, the total borrowings of the Group, which were either denominated in Hong Kong dollars or Chinese Renminbi, stood at approximately HK\$281 million (31st March, 2007: HK\$280 million). Of these borrowings, approximately HK\$152 million (31st March, 2007: HK\$112 million) were secured by mortgages over the Group's land and buildings, machinery, trade debtors and pledged bank deposits with an aggregate net book value of approximately HK\$251 million (31st March, 2007: HK\$276 million). The gearing ratio (defined as total interest-bearing borrowings divided by total assets) of the Group as at 30th September, 2007 was approximately 40% (31st March, 2007: 43%).

CONTINGENT LIABILITIES

The Company has given guarantees to banks to secure facilities of HK\$330 million (31st March, 2007: HK\$307 million) granted to subsidiaries, of which HK\$207 million (31st March, 2007: HK\$192 million) were utilised at 30th September, 2007.

STAFF

As at 30th September, 2007, the Group had a total staff of 3,238 (31st March, 2007: 3,493) of which 3,164 (31st March, 2007: 3,421) were employed in the PRC for the Group's manufacturing and distribution businesses.

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

INTERIM DIVIDEND

The Directors resolved not to pay an interim dividend for the six months ended 30th September, 2007 (2006: Nil).

CORPORATE GOVERNANCE

The Company has complied with the code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six months period ended 30th September, 2007.

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.

AUDIT COMMITTEE

The audit committee comprises three Independent Non-Executive Directors and a Non-Executive Director and reports directly to the Directors. The audit committee meets regularly with the Group’s senior management and the Company’s external auditors to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company. The audit committee has reviewed the interim results of the Group for the six months ended 30th September, 2007.

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

The Directors and chief executive of the Company who held office at 30th September, 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

Name of Directors	Ordinary shares of HK\$0.1 each			% of total issued shares at 30th September, 2007
	Personal interests (Note 1)	Corporate interests (Note 2)	Total number of shares held	
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 30th September, 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

Name of Directors	New Island Printing Company Limited		Sonic Manufacturing Company Limited	
	Non-voting deferred shares of HK\$100 each	% of total non-voting deferred shares as at 30th September, 2007	Non-voting deferred shares of HK\$100 each	% of total non-voting deferred shares as at 30th September, 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 30th September, 2007, apart from the foregoing, none of the Directors and chief executive of the Company or any of their spouses or children under the age of 18 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 of substantial shareholders required to be kept by the Company pursuant to Section 336 of the SFO.

ARRANGEMENT TO PURCHASE SHARES

At no time during the six months ended 30th September, 2007 was the Company or any of its subsidiaries a party to any arrangements 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30th September, 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

COMPOSITION OF BOARD OF DIRECTORS

As at the date of this report, the Board comprises Madam So Chau Yim Ping, BBS, JP, Mrs. Cheong So Ka Wai, Patsy, Mrs. Fung So Ka Wah, Karen and Mr. So Wah Sum, Conrad as Executive Directors; Mr. Ting Woo Shou, Kenneth, SBS, JP as Non-Executive Director and Mr. Hui Yin Fat, O.B.E. JP, Mr. Wong Wang Fat, Andrew, O.B.E. (Hon.), JP. and Mr. She Chiu Shun, Ernest as Independent Non-Executive Directors.

By Order of the Board

LI Sau Yan, Philip

Secretary

Hong Kong, 21st December, 2007