新洲印刷集團有限公司

NEW ISLAND PRINTING HOLDINGS LIMITED

(Stock Code 股份代號 : 377)

Annual Report 年報 2008

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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/0377newisland

BIOGRAPHY OF DIRECTORS

Madam So Chau Yim Ping, BBS, JP, aged 80, 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 58, 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 57, 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 procurement and supervision of operations in Shanghai factory. Mrs. Fung is a daughter of Madam So Chau Yim Ping, BBS, JP.

Mr. So Wah Sum, Conrad, aged 53, is an Executive Director of the Company. Mr. So graduated from the University of Waterloo in Canada with degrees in Environmental Studies and in Arts majoring in economics and accounting. He is a member of the Society of Management Accountants of Canada and also a fellow of Chartered Institute of Management Accountants of United Kingdom. He had worked in various 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 65, 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 Honorary President of the Federation of Hong Kong Industries, 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 72, 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. She Chiu Shun, Ernest*,** aged 47, 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.

*** *Mr. Wong Wang Fat, Andrew*,** O.B.E. (Hon), JP, aged 64, 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 the Honorary President of the Hong Kong Corrugated Paper Manufacturers Association.

* *Independent Non-Executive Directors*

** *Non-Executive Directors*

BIOGRAPHY OF SENIOR MANAGEMENT

Mr. Li Sau Yan, Philip, aged 49, 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.

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at New Island Printing Centre, 38 Wang Lee Street, Yuen Long Industrial Estate, New Territories, Hong Kong on Friday, the 5th day of September, 2008 at 12:00 noon for the following purposes:

1. To receive and consider the financial statements and the Report of Directors and the Independent Auditor's Report for the year ended 31st March, 2008.

2. To declare a final dividend for the year ended 31st March, 2008.

3. To re-elect the following retiring Directors and to authorise the Board of Directors to fix the remuneration of Directors.

   (a) Mrs. Cheong So Ka Wai, Patsy

   (b) Mr. So Wah Sum, Conrad

   (c) Mr. Ting Woo Shou, Kenneth, SBS, JP

4. To re-appoint Auditors and to authorise the Board of Directors to fix the remuneration of Auditors.

5. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution of the Company:

ORDINARY RESOLUTION

"THAT a general mandate be and is hereby unconditionally given to the Directors of the Company to issue and dispose of new shares of the Company not exceeding twenty per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution until the next annual general meeting of the Company or until this resolution is revoked or varied by an ordinary resolution passed by the shareholders in general meeting of the Company, whichever is the earliest."

By Order of the Board
Li Sau Yan, Philip
Secretary

Hong Kong, 31st July, 2008

Principal Place of Business:

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

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy needs not be a member of the Company.

2. To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the head office and principal place of business of the Company at New Island Printing Centre, 38 Wang Lee Street, Yuen Long Industrial Estate, New Territories, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. The register of members of the Company will be closed from Monday, 1st September, 2008 to Friday, 5th September, 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrars, Union Registrars Limited, Room 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 29th August, 2008.

4. With regard to item 3 of the this notice, details of retiring Directors proposed for re-election are set out blow:

   (a) **Mrs. Cheong So Ka Wai, Patsy**, aged 58, has been appointed as Director of the Company on 1st April, 1993. She is an Executive Director, Acting Chief Executive Officer and Remuneration Committee Member 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 has not held any other directorship in other listed company in the last three years. Save as disclosed above and as a director in a number of companies of the Company's group, she does not hold any other position with the Company or any other members of the Company's group.

   Mrs. Cheong is a daughter of Madam So Chau Yim Ping, BBS, JP., the Chairman of the Company and the sister of Mr. So Wah Sum Conrad and Mrs. Fung So Ka Wah, Karen, Directors of the Company. Mrs. Cheong is holding 20% interest in Ka Chau Enterprises (B.V.I.) Limited, a substantial shareholder of the Company. As at the date hereof, she has personal interests in 3,300,000 shares (representing approximately 1.5% of the issued share capital) of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed herein, she does not have any other relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mrs. Cheong has entered into service agreement with the Company for a period of 2 years from 19th May, 2008. She is subject to retirement and re-election provisions in the Bye-laws of the Company pursuant to which she shall retire from office by rotation at the annual general meetings of the Company. She is entitled to director's remuneration and discretionary bonus and benefit to be determined by the Board with reference to her duties and responsibilities in the Company, the Company's performance and prevailing market situation and to be authorised by the shareholders of the Company at annual general meeting. Mrs. Cheong is currently entitled to a monthly salary of HK$50,000, with a month salary payable by the Company at the end of the year. Hence for the year ended 31st March, 2008, a director's emolument of HK$650,000 was paid to Mrs. Cheong. Her director's emolument for the year ending 31st March, 2009 is proposed to be HK$650,000.

(b) **Mr. So Wah Sum, Conrad**, age 53, has been appointed as Executive Director of the Company on 1st April, 1993. Mr. So graduated from the University of Waterloo in Canada with degrees in Environmental Studies and in Arts majoring in economics and accounting. He is a member of the Society of Management Accountants of Canada and also a fellow of Chartered Institute of Management Accountants of United Kingdom. He had worked in various 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 has not held any other directorship in other listed company in the last three years. Save as a director in a number of companies of the Company's group, he does not hold any other position with the Company or any other members of the Company's group.

Mr. So is the son of Madam So Chau Yim Ping, BBS, JP, the Chairman of the Company and the brother of Mrs. Cheong So Ka Wai, Patsy and Mrs. Fung So Ka Wah, Karen, Directors of the Company. As at the date hereof, he has personal interests in 3,300,000 shares (representing approximately 1.5% of the issued share capital) of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed herein, he does not have any other relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. So has entered into service agreement as Executive Director with the Company which may be terminated by either party giving to the other six months written notice. He is subject to the retirement and re-election provisions in the Bye-Laws of the Company pursuant to which he shall retire from office by rotation at the annual general meetings of the Company. He is entitled to director's remuneration and discretionary bonus and benefit to be determined by the Board with reference to his duties and responsibilities in the Company, the Company's performance and prevailing market situation and to be authorised by the shareholders of the Company at the annual general meeting. Mr. So is currently entitled to a monthly salary of HK$70,000, with a month salary payable by the Company at the end of the year. Hence for the year ended 31st March, 2008, a director's emolument of HK$910,000 was paid to Mr. So. His director's emolument for the year ending 31st March, 2009 is proposed to be HK$910,000.

(c) **Mr. Ting Woo Shou, Kenneth**, SBS, JP, aged 65, 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 Honorary President of the Federation of Hong Kong Industries, 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.

Save as disclosed above, Mr. Ting has not held directorships in any other listed public companies in the last three years and save as a member in the Audit Committee, he has not held any other position with the Company or any other member of the Company's group. Mr. Ting is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the date hereof, he is interested in 105,000 shares (representing approximately 0.05% of the issued share capital) of the Company within the meaning of Part XV of Securities and Futures Ordinance.

Mr. Ting is currently appointed as Non-Executive Director of the Company for a period of 2 years from 15th July, 2007. He is subject to retirement and re-election provisions in the Bye-laws of the Company pursuant to which he shall retire from office by rotation at the annual general meetings of the Company. His directors' fee is to be determined by the Board with reference to his duties and responsibilities in the Company, the Company's performance and prevailing market situation and to be authorised by the shareholders of the Company at annual general meeting. He is not entitled to any bonus and other forms of benefits. For the year ended 31st March, 2008, a director's fee of HK$50,000 is payable to Mr. Ting. His director's fee for the year ending 31st March, 2009 is proposed to be HK$50,000.

Other than the aforesaid, in relation to each of the above Directors, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provision under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matters need to be brought to the attention of the shareholders of the Company in relation to the re-election of the above retiring Directors.

5. As at the date of this notice, the Board consists of eight Directors, namely Madam So Chau Yim Ping, BBS, JP (Chairman), 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. She Chiu Shun, Ernest and Mr. Wong Wang Fat, Andrew, O.B.E. (Hon.), JP. as Independent Non-Executive Directors.

In spite of the difficult operating environment with intense competition and rising cost pressures, the Group continued to achieve an improvement in the results for the year under review. The improvement reflected the strategic moves by the Group to develop low season sales to enhance the utilisation of its production capacity during the low season and to streamline its hand assembly operations to contain the increase in labour costs. A detailed discussion of the Group's performance for the year under review is set out in the section headed "Management Discussion and Analysis".

In view of the improvement in the financial position and liquidity standing of the Group, I am pleased to report that the Board has resolved to recommend a final dividend of HK1.0 cent per share for the year under review to be approved by Shareholders at the forthcoming annual general meeting of the Company to be held on 5th September, 2008.

Looking ahead, I expect the operating conditions will remain challenging, particularly given the mounting cost pressures and the uncertain outlook for the global economy amid financial market instabilities and rising inflationary concerns. Nevertheless, with a strengthened balance sheet and a solid market position, I believe that the Group is well positioned to meet the challenges and I am confident that the Group will continue to perform satisfactorily.

Finally, I would like to take this opportunity to extend my gratitude to the dedicated staff of the Group for their hard work and contributions during the year under review. On behalf of the Board, I would also like to express our sincere thanks to the Shareholders for their continued support.

So Chau Yim Ping
Chairman

Hong Kong, 18th July, 2008

The Group reported for the year under review ("Review Period") a turnover of approximately HK$534.8 million (2006/07: HK$494.6 million). Profit attributable to Shareholders for the Review Period was approximately HK$7.6 million (2006/07: HK$6.2 million).

Notwithstanding the highly competitive environment and the general slowdown in the global economy, the Group achieved during the Review Period an increase of approximately 8.1% in turnover over the corresponding period last year ("Corresponding Period"). The increase was primarily attributable to the Group's continued efforts to develop and expand low season sales in order to reduce its seasonal dependence. Moreover, the capacity of the Shanghai plant had also been expanded following the recent completion of a new factory building with a gross floor area of approximately 146,000 sq.ft. Nevertheless, with increasing raw material costs on the back of the surge in commodity prices and increasing labour costs reflecting the upward adjustments in statutory wages in the Guangdong and Shanghai areas, the Group was faced with substantial cost pressures. To alleviate such cost pressures, the Group had taken measures aimed to streamline its hand assembly operations through reorganising workshops, automating selected processes and retraining workers. These measures had enabled the Group to improve productivities and efficiencies while at the same time containing headcounts, thereby countering the adverse impact from the increase in labour costs. Thus, there was a marginal increase in gross profit during the Review Period to approximately HK$104.1 million (2006/07: HK$103.5 million).

Due largely to the increase in freight costs and the increase in agency fees associated with overseas sales, selling and distribution costs during the Review Period increased by approximately 15.6% over the Corresponding Period. Administrative expenses also increased by approximately 4.9% during the Review Period when compared with the Corresponding Period. The increase, which was due largely to the payment to the relevant authorities of certain administrative fees in connection with the Group's operations in the PRC, was however contained at a rate well below the increase in turnover. Finance costs during the Review Period, on the other hand, declined by approximately 10.4% from the Corresponding Period as the Group continued to strengthen its financial position and liquidity standing and cut down the level of its borrowings.

During the Review Period, income tax was reduced by approximately 56.9% when compared with the Corresponding Period. The reduction arose primarily from the reversal of temporary differences in deferred tax provisions and from the benefits of the tax holiday enjoyed by a Shanghai subsidiary. As a result of the combined effects of the foregoing, and notwithstanding the difficult operating conditions, the Group achieved during the Review Period an increase of approximately 22.9% in profit attributable to Shareholders over the Corresponding Period.

The Group remains committed to prudent financial management and continued during the Review Period to strengthen its financial position and liquidity standing. The current ratio of the Group was restored to above 100%. Its short term borrowings were cut down by approximately HK$28.3 million to approximately HK$135.3 million and total borrowings were cut down by approximately HK$38.5 million to approximately HK$241.6 million. During the Review Period, the Group generated cash flow from its operations in excess of HK$65 million. While the Group continued to invest in fixed assets with a view to enhancing production capabilities and competitiveness, the Group also disposed of machinery that was surplus to its operational requirements. The disposals yielded positive gains for the Group and made the Group's net capital expenditure to be less than HK$10 million during the Review Period. Accordingly, the Directors are optimistic that the Group is capable of generating free cash flow that would in the near term strengthen further its financial standing and in the longer term enhance Shareholders' value.

During the Review Period, the Group spent approximately HK$30.3 million on fixed asset investments. These fixed asset investments were financed by the retained profits and bank borrowings of the Group and by the cash derived from the disposal by the Group of machinery that was surplus to its operational requirements. The daily operating activities of the Group were funded by the cash flow generated from its operations and by banking facilities of the Group.

As at 31st March, 2008, the Group had bank borrowings, which were either denominated in Hong Kong dollars or Chinese Renminbi, totaling approximately HK$241.6 million (2006/07: HK$280.0 million). Of these borrowings, approximately HK$122.6 million (2006/07: HK$111.9 million) were secured by mortgages over the Group's land, buildings and machinery, trade debtors and bank deposits with an aggregate net book value of approximately HK$187.6 million (2006/07: HK$276.4 million). The Group defines the gearing ratio as net debt-to-capital ratio. For this purpose the Group defines net debt as total interest-bearing borrowings less cash and cash equivalents. Capital comprises all components of equity. The net debt-to-capital ratio of the Group as at 31st March, 2008 fell to approximately 73 % (2006/07: 90%), reflecting the improvement in the financial position of the Group as discussed in the section headed "Management Discussion and Analysis".

The Directors are of the opinion that the Group will be able to generate adequate cash flow from its operations and secure necessary facilities from the banks to meet its ongoing obligations and commitments.

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 (the "Group") from time to time to ensure that they reflect the latest development and meet the expectations of the Shareholders.

The Company had 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, 2008.

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 qualification with accounting or related financial 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 Board is responsible for establishing strategic directions, setting objectives and business plans and monitoring performance. The Executive Directors and the senior executives of the Group (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.

BOARD OF DIRECTORS *(Continued)*

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 regular meeting not less than 14 days and 3 days respectively 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, 2008. 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	1/4
Mr. She Chiu Shun, Ernest	4/4
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP	3/4

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.

REMUNERATION COMMITTEE *(Continued)*

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, 2008 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, 2008.

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	0/1

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.

During the year ended 31st March, 2008, there was no change of directorship.

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, 2008 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, 2007;
- reviewed the consolidated interim financial report of the Company for the six months ended 30th September, 2007;
- 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, 2008;
- 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, 2008, the Audit Committee also had a meeting to review the consolidated financial statements of the Company for the year ended 31st March, 2008.

AUDIT COMMITTEE *(Continued)*

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	1/4
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP	4/4

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, 2008, the Company's external auditors charged the Company HK$800,000 for audit services, HK$70,000 for related disbursements and HK$90,000 for non-audit services. The non-audit services undertaken by the Company's external auditors are mainly for 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, 2008, 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 28 to 29 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 Company. 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, 2008.

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 2007.

At the Company's 2007 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 the annual report together with the audited financial statements of New Island Printing Holdings Limited (the "Company") for the year ended 31st March, 2008.

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, New Territories, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the 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 12 to the financial statements.

FINANCIAL STATEMENTS

The profit and cash flows of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2008 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 30 to 86.

DIVIDEND

The Directors recommended the payment of a final dividend of HK1.0 cent (2007: Nil) per share for the year ended 31st March, 2008.

The proposed final dividend, if approved at the 2008 annual general meeting of the Company, is expected to be paid on 12th September, 2008 to Shareholders whose name appear on the register of members of the Company on 5th September, 2008.

TRANSFER TO RESERVES

Profits attributable to shareholders of HK$7,603,000 (2007: HK$6,187,000) have been transferred to reserves. Other movements in reserves are set out in note 25 to the financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the financial year amounted to HK$158,000 (2007: HK$104,000).

SUBSIDIARIES

Particulars of the Company's subsidiaries at 31st March, 2008 are set out in note 15 to the financial statements.

FIVE YEARS 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 pages 87 to 88.

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	32
The largest customer	11
Purchases	
Five largest suppliers in aggregate	23
The largest supplier	10

At no time during the financial year have 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 fixed assets during the financial year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 24 to the financial statements. There were no movements during the financial year.

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

Particulars of bank loans and overdrafts, obligations under finance leases and bills payable of the Group at 31st March, 2008 are set out in notes 19, 20 and 22 to the financial statements respectively.

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 *(Acting Chief Executive Officer)*
Mrs. Fung So Ka Wah, Karen
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*

* *Independent Non-Executive Directors*
** *Non-Executive Director*

In accordance with the bye-laws of the Company, Mrs. Cheong So Ka Wai, Patsy, Mr. So Wah Sum, Conrad and Mr. Ting Woo Shou, Kenneth, SBS, JP will 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 and their appointment as Executive Directors was subsequently extended for a period of two years until 18th May, 2010 which may be terminated by either party giving to the other three months written notice. 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 of the Company, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year ended 31st March, 2008.

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

The Directors and chief executive of the Company who held office as at 31st March, 2008 had the following interests in the shares of the Company, subsidiaries and other associated corporations of the Company (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 are held by any of the Directors.

Notes:

(1) All these shares are held by the respective Directors personally as beneficial owners.

(2) Ka Chau Enterprises (B.V.I.) Limited ("Ka Chau") beneficially owned 132,000,000 shares as at 31st March, 2008. Madam So Chau Yim Ping, BBS, JP had a 60 per cent. interest in Ka Chau, and each of Mrs. Cheong So Ka Wai, Patsy and Mrs. Fung So Ka Wah, Karen had 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 INTERESTS 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, 2008**	**Non-voting deferred shares of HK$100 each**	**% of total non-voting deferred shares as at 31st March, 2008**
Madam So Chau Yim Ping, BBS, JP	6,700	67.0%	500	50%
Mrs. Cheong So Ka Wai, Patsy	1,000	10.0%	500	50%
Mrs. Fung So Ka Wah, Karen	1,000	10.0%	—	—
Mr. So Wah Sum, Conrad	1,000	10.0%	—	—
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 are held by the respective Directors personally as beneficial owners.

As at 31st March, 2008, 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 8th May, 2007 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, 2008 to Kader and Qualidux amounted to HK$17,260,000 (2007: HK$11,111,000).

These transactions have been reviewed by the Independent Non-Executive Directors (namely, Mr. Hui Yin Fat, O.B.E., JP, Mr. She Chiu Shun, Ernest and Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP), 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; and

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

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

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

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 28th September, 2007. The purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to Executive or Non-Executive Directors including Independent Non-Executive Directors or any employees (whether full-time or part-time) of each member of the Group (the "Participants") and for such other purpose as the Board may approve from time to time. The Scheme shall remain valid and effective until 27th September, 2017.

The principal terms of the Scheme are summarised as follows:

(i) The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the Scheme, unless approved by shareholders and which must not in aggregate exceed 30% of the total number of the relevant class of securities of the Company in issue from time to time. As at the date of this annual report, the total number of shares available for issue under the Scheme is 22,252,900 shares, which represents 10% of the issued share capital of the Company as at the date of adoption of the Scheme and the date of this annual report.

(ii) The total number of shares issued and to be issued upon exercise of the share options granted pursuant to the Scheme and any other share option schemes of the Company to each of the Participants in any 12-month period shall not exceed 1% of the total number of the relevant class of securities of the Company in issue.

(iii) The exercise price shall be solely determined by the Board, and shall be at least the highest of: (a) the closing price of the Company's shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange")'s daily quotations sheet on the date of offer of the share option to the Participants, which must be a day (other than a Saturday or a Sunday) on which licenced banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities (the "Trading Day"); (b) a price being the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of offer of the share option to the Participants; and (c) the nominal value of the Company's shares.

(iv) A share option may be exercised in accordance with the terms of the Scheme at any time during a period of not more than 10 years to be notified by the Board to each grantee, which period shall deem to commence on the date of the offer of the share option to the Participants and expire on the last day of such period as determined by the Board.

(v) According to the Scheme, HK$1 is payable by each of the Participants to the Company on acceptance of the share options as consideration for the grant. The share options to which the offer relates shall be deemed to have been granted on the date of offer of such share options.

No share option has been granted by the Company since the adoption of the Scheme.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Scheme as disclosed above, at no time during the financial year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company 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 THE COMPANY'S SHARES

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

RETIREMENT SCHEMES

Particulars of retirement schemes of the Group are set out in note 29 to the financial statements.

STAFF

As at 31st March, 2008, the Group had a total staff of 3,092 (2007: 3,493), of which 3,017 (2007: 3,421) 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.

INDEPENDENT AUDITORS

The financial statements of the Company for the year ended 31st March, 2008 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, 18th July, 2008

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 30 to 86, which comprise the consolidated and company balance sheets as at 31st March, 2008, 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 disclosure requirements of 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.

AUDITOR'S RESPONSIBILITY *(Continued)*

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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the group as at 31st March, 2008 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
18th July, 2008

Consolidated Income Statement

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

	Note	**2008** **$'000**	2007 $'000
Turnover	*3 & 12*	**534,791**	494,612
Cost of sales		**(430,644)**	(391,157)
		104,147	103,455
Other revenue	*4(a)*	**8,702**	7,795
Other net gain	*4(b)*	**5,370**	5,106
Selling and distribution costs		**(30,190)**	(26,123)
Administrative expenses		**(60,366)**	(57,569)
Profit from operations		**27,663**	32,664
Finance costs	*5(a)*	**(16,658)**	(18,582)
Profit before taxation	*5*	**11,005**	14,082
Income tax	*6(a)*	**(3,402)**	(7,895)
Profit for the year	*9 & 25(a)*	**7,603**	6,187
Dividend payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	*10*	**1.0 cent**	—
Earnings per share	*11*		
- Basic		**3.42 cents**	2.78 cents
- Diluted		**3.42 cents**	2.78 cents

The notes on pages 37 to 86 form part of these financial statements.

At 31st March, 2008
(Expressed in Hong Kong dollars)

	Note	2008		2007	
		$'000	$'000	$'000	$'000
NON-CURRENT ASSETS					
Fixed assets	13				
- Property, plant and equipment		**375,557**		378,074	
- Interest in leasehold land held for own use under operating leases		**30,744**		29,943	
		406,301		408,017	
Non-current prepayments	14	**4,056**		—	
			410,357		408,017
CURRENT ASSETS					
Inventories	16	**110,989**		74,032	
Trade debtors, prepayments and deposits	17	**112,942**		108,720	
Current tax recoverable	23(a)	**—**		3,764	
Pledged bank deposit	18	**1,002**		11,134	
Cash and cash equivalents	18	**26,051**		43,160	
		250,984		240,810	
CURRENT LIABILITIES					
Bank loans and overdrafts	19	**82,063**		130,391	
Obligations under finance leases	20	**15,431**		15,805	
Trade creditors and accrued charges	21	**105,897**		85,192	
Bills payable	22	**37,809**		17,447	
Current tax payable	23(a)	**2,868**		1,817	
		244,068		250,652	
NET CURRENT ASSETS/ (LIABILITIES)			**6,916**		(9,842)
TOTAL ASSETS LESS CURRENT LIABILITIES			**417,273**		398,175

At 31st March, 2008

(Expressed in Hong Kong dollars)

	Note	**2008**		2007	
		$'000	***$'000***	*$'000*	*$'000*
NON-CURRENT LIABILITIES					
Bank loans	*19*	**86,641**		82,977	
Obligations under finance leases	*20*	**19,651**		33,426	
Deferred taxation	*23(b)*	**16,827**		19,220	
			(123,119)		(135,623)
NET ASSETS			**294,154**		262,552
CAPITAL AND RESERVES					
Share capital	*24*		**22,253**		22,253
Reserves	*25(a)*		**271,901**		240,299
TOTAL EQUITY			**294,154**		262,552

Approved and authorised for issue by the Board of Directors on 18th July, 2008.

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

The notes on pages 37 to 86 form part of these financial statements.

Balance Sheet

At 31st March, 2008

(Expressed in Hong Kong dollars)

	Note	**2008**		2007	
		$'000	***$'000***	*$'000*	*$'000*
NON-CURRENT ASSETS					
Investments in subsidiaries	*15*		**143,340**		125,969
CURRENT ASSETS					
Prepayments and deposits	*17*	**155**		152	
Cash and cash equivalents	*18*	**34**		34	
		189		186	
CURRENT LIABILITIES					
Accrued charges	*21*	**164**		102	
NET CURRENT ASSETS			**25**		84
NET ASSETS			**143,365**		126,053
CAPITAL AND RESERVES					
Share capital	*24*		**22,253**		22,253
Reserves	*25(b)*		**121,112**		103,800
TOTAL EQUITY			**143,365**		126,053

Approved and authorised for issue by the Board of Directors on 18th July, 2008.

So Chau Yim Ping
Chairman

Cheong So Ka Wai, Patsy
Executive Director

The notes on pages 37 to 86 form part of these financial statements.

For the year ended 31st March, 2008

(Expressed in Hong Kong dollars)

	Note	**2008** **$'000**	2007 $'000
Total equity at 1st April		**262,552**	243,840
Net income recognised directly in equity:			
Exchange differences arising on translation of the financial statements of subsidiaries outside Hong Kong	*25(a)*	**23,999**	12,525
Profit for the year	*25(a)*	**7,603**	6,187
Total recognised income and expense for the year		**31,602**	18,712
Total equity at 31st March		**294,154**	262,552

The notes on pages 37 to 86 form part of these financial statements.

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
OPERATING ACTIVITIES			
Profit before taxation		**11,005**	14,082
Adjustments for:			
- Depreciation and amortisation	5(c)	**38,157**	39,205
- Interest income	4(a)	**(637)**	(534)
- Finance costs	5(a)	**16,658**	18,582
- Net gain on disposal of fixed assets	4(b)	**(6,212)**	(4,315)
- Foreign exchange loss		**131**	603
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		**59,102**	67,623
(Increase)/decrease in inventories		**(32,181)**	6,401
Decrease/ (increase) in trade debtors, prepayments and deposits		**998**	(20,849)
Increase in trade creditors and accrued charges		**17,119**	20,485
Increase/(decrease) in bills payable		**20,362**	(33,651)
CASH GENERATED FROM OPERATIONS		**65,400**	40,009
Tax (paid)/recovered			
- Hong Kong Profits Tax recovered		**3,675**	—
- The People's Republic of China income tax paid		**(4,839)**	(7,140)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**64,236**	32,869
INVESTING ACTIVITIES			
Payment for purchase of fixed assets		**(34,392)**	(23,498)
Interest received		**637**	534
Proceeds from disposal of fixed assets		**24,999**	31,503
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(8,756)**	8,539

For the year ended 31st March, 2008

(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
FINANCING ACTIVITIES			
Decrease/(increase) in pledged bank deposit		**11,162**	(1,012)
Proceeds from new bank loans		**341,509**	525,799
Repayment of bank loans		**(398,481)**	(532,219)
Proceeds from inception of finance leases		**16,450**	56,000
Capital element of finance lease rental payments		**(30,599)**	(6,769)
Interest on bank loans and overdrafts paid		**(14,302)**	(17,086)
Interest element of finance lease rental payments		**(2,356)**	(1,496)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(76,617)**	23,217
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(21,137)**	64,625
CASH AND CASH EQUIVALENTS AT 1ST APRIL		**33,318**	(32,821)
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**4,298**	1,514
CASH AND CASH EQUIVALENTS AT 31ST MARCH	*18*	**16,479**	33,318

The notes on pages 37 to 86 form part of these financial statements.

For the year ended 31st March, 2008
(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 Company and its subsidiaries (together referred to as 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 any 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, 2008 comprise the Company and its subsidiaries.

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 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.

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 34.

(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 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)).

(d) Property, plant and equipment

Property, plant and equipment are stated in the consolidated 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.

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

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:

— Leasehold land and buildings situated thereon 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.

(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.

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leased assets *(Continued)*

(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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 allowance for impairment of 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 allowance for impairment of doubtful debts.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets

(i) Impairment of receivables

Receivables are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, 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. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(i) Impairment of receivables *(Continued)*

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade debtors, prepayments and deposits, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

(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).

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

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.

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

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.

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 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.

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.

Where the Company issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade creditors and accrued charges. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Company's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in 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 (i) it becomes probable that the holder of the guarantee will call upon the Company under the guarantee, and (ii) the amount of that claim on the Company is expected to exceed the amount currently carried in trade creditors and 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.

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) 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.

The results of operations outsdie 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 operation outside Hong Kong, 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.

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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;

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties *(Continued)*

(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.

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.

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES

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

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosures about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided throughout these financial statements, in particular in note 27.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 25(c).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

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.

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(Expressed in Hong Kong dollars)

4 OTHER REVENUE AND NET GAIN

	2008	2007
	$'000	*$'000*
(a) **Other revenue**		
Licence fee income	**7,836**	6,277
Interest income	**637**	534
Others	**229**	984
	8,702	7,795
(b) **Other net gain**		
Net gain on disposal of fixed assets	**6,212**	4,315
Net exchange (loss)/gain	**(707)**	791
Others	**(135)**	—
	5,370	5,106

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

5 PROFIT BEFORE TAXATION

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

	2008	2007
	$'000	$'000
(a) Finance costs:		
Finance charges on obligations under finance leases	**2,356**	1,496
Interest on bank overdrafts and advances repayable within five years	**14,302**	17,086
	16,658	18,582
(b) Staff costs: #		
Contributions to defined contribution retirement plans	**5,453**	3,908
Salaries, wages and other benefits	**108,364**	100,471
	113,817	104,379
(c) Other items:		
Cost of inventories sold #	**430,644**	391,157
Auditor's remuneration		
- audit services		
- provision for the year	**1,040**	1,114
- over-provision in respect of prior years	**(240)**	(70)
- tax services	**90**	37
- other services	**70**	—
Depreciation #		
- owned assets	**25,030**	31,534
- assets held under finance leases	**12,125**	6,639
Amortisation of land lease premium #	**1,002**	1,032
Operating lease charges for land and buildings #	**1,660**	2,009
Impairment loss on trade debtors recognised/(written back)	**3,844**	(106)

Cost of inventories includes $112,208,000 (2007: $108,397,000) relating to staff costs, depreciation expenses, amortisation of land lease premium, and operating lease charges, which amount is also included in the respective amounts disclosed separately above for each of these types of expenses.

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2008	2007
	$'000	$'000
Current tax - Provision for Hong Kong Profits Tax		
Provision for the year	600	—
Under-provision in respect of prior years	83	—
	683	—
Current tax - The People's Republic of China ("PRC") income tax		
Provision for the year	4,828	7,507
Under-provision in respect of prior years	284	337
	5,112	7,844
Deferred tax		
Origination and reversal of temporary differences	(1,576)	353
Effect of change in tax rate on deferred tax balances	(817)	(302)
	(2,393)	51
	3,402	7,895

Hong Kong Profits Tax

The provision for Hong Kong Profits Tax for 2008 is calculated at 17.5% of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax had been made in the financial statements for 2007 as the Group had tax losses brought forward which offset the estimated assessable profits for that year.

On 27th February, 2008, the Financial Secretary of the Hong Kong SAR Government announced his annual Budget which proposes a cut in the profits tax rate from 17.5% to 16.5% with effect from the fiscal year 2008/09 and a one-off reduction of 75% of the tax payable for the 2007/08 assessment subject to a ceiling of $25,000. The new tax rate has been applied when measuring the Group's deferred tax liabilities as at 31st March, 2008.

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

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

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

PRC income tax

The Company's subsidiaries in the PRC are subject to PRC income tax. Pursuant to the income tax rules and regulations of the PRC, Dongguan New Island Printing Company Limited ("DNIP"), Shanghai New Island Packaging Printing Company Limited ("SNIP"), and New Island (Shanghai) Paper Products Company Limited ("NISPP") were subject to an income tax rate of 27% prior and up to 31st December, 2007. However, there are preferential tax arrangements for DNIP and NISPP. 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 rate of 12% for the period from 1st January, 2006 to 31st December, 2007. NISPP has been granted a tax holiday where it is fully exempted from PRC income tax for two years from its first profit-making year of operations and it is subject to a reduced tax rate at 50% of the applicable income tax rate for the following three years. The calendar year ended 31st December, 2007 is the first profit-making year of NISPP.

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 became effective on 1st January, 2008. As a result of the New Tax Law, the income tax rate for DNIP, SNIP and NISPP has been reduced to 25% from 1st January, 2008.

Further, the State Council released the Implementation Rules to the Corporate Income Tax Law on 6th December, 2007 and Notice on the Implementation Rules of the Grandfathering Relief under the Corporate Income Tax Law (Guo Fa [2007] No. 39) on 26th December, 2007 (collectively, the "Implementation Rules"). Under the Implementation Rules, the exemption from PRC income tax for the calendar year ending 31st December, 2008 and the 50% reduction in income tax for the three years ending 31st December, 2011 granted to NISPP will be grandfathered and will continue to be granted to NISPP until expiry on 31st December, 2011.

Pursuant to the New Tax Law and the Implementation Rules, an investment holding company established in Hong Kong will be subject to a withholding tax at a tax rate of 5% on dividends that it receives from its PRC subsidiaries. This applies to dividends declared by all the Group's subsidiaries in the PRC the equity interests of which are held by a subsidiary incorporated in Hong Kong. Dividend receivable by the Group from subsidiaries in the PRC in respect of their undistributed profits accumulated up to 31st December, 2007 is exempted from withholding tax.

Bermuda tax

Pursuant to the rules and regulations of Bermuda, the Company is not subject to any income tax in Bermuda.

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(Expressed in Hong Kong dollars)

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

(b) **Reconciliation between tax expense and accounting profit at applicable tax rates:**

	2008	2007
	$'000	*$'000*
Profit before taxation	**11,005**	14,082
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	**703**	4,865
Tax effect of non-deductible expenses	**2,461**	2,823
Tax effect of non-taxable revenue	**(90)**	(480)
Deferred tax assets not recognised	**778**	652
Tax effect of change in tax rate	**(817)**	(302)
Under-provision in prior years	**367**	337
Actual tax expense	**3,402**	7,895

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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, 2008

	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	—	650	30	680
Mrs. Fung So Ka Wah, Karen	—	650	30	680
Mr. So Wah Sum, Conrad	—	910	42	952
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	**2,860**	**120**	**3,180**

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7 DIRECTORS' REMUNERATION *(Continued)*

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

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

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, one (2007: two) is Director whose emolument is disclosed in note 7. The emoluments of the other four (2007: three) individuals are as follows:

	2008	2007
	$'000	*$'000*
Salaries, allowances and benefits in kind	**4,213**	3,163
Retirement scheme contributions	**183**	54
	4,396	3,217

The emoluments of the above four (2007: three) individuals with the highest emoluments are within the following bands:

	2008	2007
	Number of individuals	*Number of individuals*
Nil to $1,000,000	**3**	1
$1,000,001 to $1,500,000	**1**	2
	4	3

9 PROFIT FOR THE YEAR

The consolidated profit for the year includes a profit of $17,312,000 (2007: loss of $636,000) which has been dealt with in the financial statements of the Company.

10 DIVIDEND

	2008	2007
	$'000	*$'000*
Final dividend proposed after the balance sheet date of 1.0 cent (2007: Nil) per share	**2,225**	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit for the year of $7,603,000 (2007: $6,187,000) and on the number of 222,529,000 (2007: 222,529,000) shares in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential shares during 2008 and 2007, and diluted earnings per share is the same as basic earnings per share.

12 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:

	2008	2007
	$'000	*$'000*
Hong Kong	**114,779**	99,761
Other areas of the PRC	**247,376**	224,962
United States	**141,575**	137,593
Europe	**18,046**	20,083
Other countries	**13,015**	12,213
	534,791	494,612

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(Expressed in Hong Kong dollars)

13 FIXED ASSETS

(a) Group

	Land and 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

13 FIXED ASSETS *(Continued)*

(a) Group *(Continued)*

	Land and 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, 2007	237,268	6,715	195,224	184,535	8,367	23,690	30,609	9,887	696,295	37,317	733,612
Exchange adjustments	13,917	681	6,462	11,594	–	416	1,746	347	35,163	2,263	37,426
Additions	–	17,582	9,922	–	33	302	2,296	201	30,336	–	30,336
Transfer from properties under development	24,217	(24,217)	–	–	–	–	–	–	–	–	–
Disposals	–	–	(1,590)	(51,685)	–	(111)	(285)	(1,154)	(54,825)	–	(54,825)
Reclassification	–	–	(8,166)	8,166	–	–	–	–	–	–	–
At 31st March, 2008	275,402	761	201,852	152,610	8,400	24,297	34,366	9,281	706,969	39,580	746,549
Accumulated amortisation and depreciation:											
At 1st April, 2007	56,640	–	117,362	85,183	6,761	20,909	24,081	7,285	318,221	7,374	325,595
Exchange adjustments	3,615	–	2,312	4,206	–	257	1,455	229	12,074	460	12,534
Charge for the year	9,488	–	10,582	12,125	426	731	2,857	946	37,155	1,002	38,157
Written back on disposal	–	–	(839)	(33,890)	–	(97)	(210)	(1,002)	(36,038)	–	(36,038)
Reclassification	–	–	(1,168)	1,168	–	–	–	–	–	–	–
At 31st March, 2008	69,743	–	128,249	68,792	7,187	21,800	28,183	7,458	331,412	8,836	340,248
Net book value:											
At 31st March, 2008	205,659	761	73,603	83,818	1,213	2,497	6,183	1,823	375,557	30,744	406,301

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13 FIXED ASSETS *(Continued)*

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

	Group	
	2008	2007
	$'000	*$'000*
Situated in Hong Kong and held under medium term leases	**83,667**	86,157
Situated outside Hong Kong and held under medium term leases	**153,497**	131,129
	237,164	217,286
Representing:		
Land and buildings	**205,659**	180,628
Interest in leasehold land held for own use under operating leases	**30,744**	29,943
Properties under development	**761**	6,715
	237,164	217,286

14 NON-CURRENT PREPAYMENTS

Non-current prepayments of the Group represent advance payments for acquisition of fixed assets.

15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	$'000	*$'000*
Unlisted investments, at cost	**82,360**	82,360
Amounts due from subsidiaries	**60,980**	43,609
	143,340	125,969

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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15 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation/ establishment and operation	Particulars of issued/ registered 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 ("NIPCL")	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 ("DNIP")	The PRC	Registered capital of $100,000,000	—	100	Production and distribution of paper products
Shanghai New Island Packaging Printing Company Limited ("SNIP")	The PRC	Registered capital of US$5,700,000	—	100	Production and distribution of paper products
New Island (Shanghai) Paper Products Company Limited ("NISPP")	The PRC	Registered capital of US$2,500,000	—	100	Production and distribution of paper products

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15 INVESTMENTS IN SUBSIDIARIES *(Continued)*

DNIP was set up in 1992 as an equity joint venture between the Company's subsidiary, 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.

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.

NISPP was set up in 2002 as a wholly-owned foreign enterprise. NISPP has an operating period of 30 years expiring on 27th January, 2032.

16 INVENTORIES

Inventories in the balance sheet comprise:

	Group	
	2008	2007
	$'000	*$'000*
Raw materials	**66,953**	45,035
Work in progress	**26,674**	15,807
Finished goods	**17,362**	13,190
	110,989	74,032

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

	Group	
	2008	2007
	$'000	*$'000*
Carrying amount of inventories sold	**430,567**	390,530
Write-down of inventories	**77**	627
	430,644	391,157

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17 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Trade debtors	**108,012**	99,153	**—**	—
Less: allowance for doubtful debts (note 17(b))	**(4,557)**	(695)	**—**	—
	103,455	98,458	**—**	—
Other receivables	**7,734**	7,761	**—**	—
Deposits and prepayments	**1,753**	2,501	**155**	152
	112,942	108,720	**155**	152

All trade debtors, prepayments and deposits, apart from deposits of the Group amounting to $298,000 (2007: $1,369,000), are expected to be recovered or recognised as expense within one year. Other receivables, deposits and prepayments are neither past due nor impaired.

(a) Ageing analysis

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

	Group	
	2008	2007
	$'000	*$'000*
Current and less than one month past due	**85,330**	78,485
One to three months past due	**9,771**	8,540
Over three months past due	**8,354**	11,433
	103,455	98,458

The Group's credit policy is set out in note 27(a).

17 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS *(Continued)*

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(h)(i)).

The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	Group	
	2008	2007
	$'000	*$'000*
At 1st April	**695**	773
Exchange adjustments	**18**	28
Impairment loss recognised/(written back)	**3,844**	(106)
At 31st March	**4,557**	695

At 31st March, 2008, the Group's trade debtors of $4,557,000 (2007: $695,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts of $4,557,000 (2007: $695,000) were recognised. The Group does not hold any collateral over these balances.

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(Expressed in Hong Kong dollars)

17 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS *(Continued)*

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2008	2007
	$'000	*$'000*
Neither past due nor impaired	**68,785**	64,023
Less than one month past due	**16,545**	14,462
One to three months past due	**9,771**	8,540
Over three months past due	**8,354**	11,433
	34,670	34,435
	103,455	98,458

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Cash at bank and in hand	**27,053**	54,294	**34**	34
Pledged bank deposit (note 19)	**(1,002)**	(11,134)	**—**	—
Cash and cash equivalents in the balance sheet	**26,051**	43,160	**34**	34
Bank overdrafts (note 19)	**(9,572)**	(9,842)		
Cash and cash equivalents in the cash flow statement	**16,479**	33,318		

19 BANK LOANS AND OVERDRAFTS

At 31st March, 2008, bank loans and overdrafts were repayable as follows:

	Group	
	2008	2007
	$'000	*$'000*
Within one year or on demand	**82,063**	130,391
After one but within two years	**57,691**	80,199
After two but within five years	**28,950**	2,778
	86,641	82,977
	168,704	213,368

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(Expressed in Hong Kong dollars)

19 BANK LOANS AND OVERDRAFTS *(Continued)*

At 31st March, 2008, bank loans and overdrafts were secured as follows:

	Group	
	2008	2007
	$'000	*$'000*
Bank overdrafts		
- secured	**4,001**	1,046
- unsecured	**5,571**	8,796
	9,572	9,842
Bank loans		
- secured	**100,664**	109,256
- unsecured	**58,468**	94,270
	159,132	203,526
	168,704	213,368

Certain banking facilities and loans granted to the Group are secured by the Group's fixed assets, trade debtors and bank deposit with an aggregate carrying value of $187,577,000 (2007: $276,417,000) at 31st March, 2008. Assets pledged under such facilities are as follows:

	2008	2007
	$'000	*$'000*
Fixed assets	**163,687**	166,850
Trade debtors	**22,888**	98,433
Pledged bank deposit (note 18)	**1,002**	11,134
	187,577	276,417

19 BANK LOANS AND OVERDRAFTS *(Continued)*

The above secured banking facilities amounted to $188,256,000 (2007: $166,237,000). The facilities were utilised to the extent of $122,577,000 (2007: $111,901,000) at 31st March, 2008, comprising bank loans and overdrafts of $104,665,000 (2007: $110,302,000) and bills payable of $17,912,000 (2007: $1,599,000).

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, total equity 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 27(b). As at 31st March, 2008, none of the bank 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.

20 OBLIGATIONS UNDER FINANCE LEASES

At 31st March, 2008, the Group had obligations under finance leases payable as follows:

	2008			2007		
	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	**15,431**	**1,095**	**16,526**	15,805	2,319	18,124
After one year but within two years	**13,330**	**536**	**13,866**	16,706	1,661	18,367
After two years but within five years	**6,321**	**254**	**6,575**	16,720	508	17,228
	19,651	**790**	**20,441**	33,426	2,169	35,595
	35,082	**1,885**	**36,967**	49,231	4,488	53,719

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(Expressed in Hong Kong dollars)

21 TRADE CREDITORS AND ACCRUED CHARGES

	Group		**Company**	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Trade creditors	**65,997**	48,769	**—**	—
Other payables and accrued charges	**39,900**	36,423	**164**	102
	105,897	85,192	**164**	102

All of the trade creditors and accrued charges are expected to be settled within one year.

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

	Group	
	2008	2007
	$'000	*$'000*
Current and less than one month past due	**50,974**	37,843
One to three months past due	**12,849**	7,683
More than three months past due	**2,174**	3,243
	65,997	48,769

22 BILLS PAYABLE

An ageing analysis of bills payable is as follows:

	Group	
	2008	2007
	$'000	*$'000*
Due within one month	**11,256**	11,735
Due after one month but within two months	**13,878**	3,779
Due after two months but within three months	**12,675**	1,933
	37,809	17,447

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23 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	Group	
	2008	2007
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**600**	—
Balance of Profits Tax payable/(recoverable) relating to prior years	**19**	(3,739)
	619	(3,739)
PRC income tax payable	**2,249**	1,792
	2,868	(1,947)
Representing:		
Current tax payable	**2,868**	1,817
Current tax recoverable	**—**	(3,764)
	2,868	(1,947)

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(Expressed in Hong Kong dollars)

23 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	Provisions	Future benefits of tax losses	Others	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Deferred tax arising from:					
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
At 1st April, 2007	**21,150**	**(468)**	**(1,462)**	**—**	**19,220**
(Credited)/charged to consolidated income statement	**(3,025)**	**(1,015)**	**1,239**	**408**	**(2,393)**
At 31st March, 2008	**18,125**	**(1,483)**	**(223)**	**408**	**16,827**

(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 $Nil (2007: $4,168,000) and deductible temporary differences of $24,479,000 (2007: $24,505,000) 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.

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24 SHARE CAPITAL

	2008	2007
	$'000	*$'000*
Authorised:		
380,000,000 shares of $0.1 each	**38,000**	38,000
Issued and fully paid:		
222,529,000 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.

25 RESERVES

(a) Group

	Share premium	Exchange reserve	Statutory surplus reserve	Other reserves	Retained profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'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
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	**—**	**23,999**	**—**	**—**	**—**	**23,999**
Transfer	**—**	**—**	**1,734**	**93**	**(1,827)**	**—**
Profit for the year	**—**	**—**	**—**	**—**	**7,603**	**7,603**
At 31st March, 2008	**37,741**	**37,165**	**18,001**	**4,857**	**174,137**	**271,901**

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(Expressed in Hong Kong dollars)

25 RESERVES *(Continued)*

(a) Group *(Continued)*

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 Company'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.

(b) Company

	Share premium	Contributed surplus	(Accumulated losses)/ retained profits	Total
	$'000	*$'000*	*$'000*	*$'000*
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
At 1st April, 2007	**37,741**	**67,360**	**(1,301)**	**103,800**
Profit for the year (note 9)	**—**	**—**	**17,312**	**17,312**
At 31st March, 2008	**37,741**	**67,360**	**16,011**	**121,112**

The application of the share premium account is governed by the Bermuda Companies Act 1981 ("Companies Act").

For the year ended 31st March, 2008
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25 RESERVES *(Continued)*

(b) **Company** *(Continued)*

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, 2008 are $83,371,000 (2007: $66,059,000).

(c) **Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, bills payable and obligations under finance leases) less cash and cash equivalents. Capital comprises all components of equity.

During the year ended 31st March, 2008, the Group's strategy, which was unchanged from 2007, was to lower the net debt-to-capital ratio. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, raise new debt financing or sell assets to reduce debt.

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

25 RESERVES *(Continued)*

(c) Capital management *(Continued)*

The net debt-to-capital ratios at 31st March, 2008 and 2007 were as follows:

		Group	
	Note	**2008**	2007
		$'000	*$'000*
Current liabilities:			
Bank loans and overdrafts	19	**82,063**	130,391
Obligations under finance leases	20	**15,431**	15,805
Bills payable	22	**37,809**	17,447
		135,303	163,643
Non-current liabilities:			
Bank loans	19	**86,641**	82,977
Obligations under finance leases	20	**19,651**	33,426
Total debt		**241,595**	280,046
Less: Cash and cash equivalents	18	**26,051**	43,160
Net debt		**215,544**	236,886
Total equity		**294,154**	262,552
Net debt-to-capital ratio		**0.73**	0.90

As disclosed in note 19, the Group is subject to externally imposed capital requirements under covenants relating to certain banking facilities.

26 CONTINGENT LIABILITIES

The Company has given guarantees to banks to secure facilities of $289,000,000 (2007: $307,000,000) 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 $165,000,000 (2007: $192,000,000).

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.

27 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 debtors, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which the customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 6% (2007: 7%) and 23% (2007: 20%) of the total trade debtors 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.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in note 17.

27 FINANCIAL INSTRUMENTS *(Continued)*

(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.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

Group

	2008					2007				
	Carrying amount	**Total contractual Undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Trade creditors and accrued charges	**105,897**	**105,897**	**105,897**	**–**	**–**	85,192	85,192	85,192	–	–
Bills payable	**37,809**	**38,061**	**38,061**	**–**	**–**	17,447	17,532	17,532	–	–
Bank loans	**159,132**	**167,779**	**78,505**	**59,649**	**29,625**	203,526	212,846	126,365	82,734	3,747
Finance lease liabilities	**35,082**	**36,967**	**16,526**	**13,866**	**6,575**	49,231	53,719	18,124	18,367	17,228
Bank overdrafts	**9,572**	**9,572**	**9,572**	**–**	**–**	9,842	9,842	9,842	–	–
	347,492	**358,276**	**248,561**	**73,515**	**36,200**	365,238	379,131	257,055	101,101	20,975

Company

	2008					2007				
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Accrued charges	**164**	**164**	**164**	**–**	**–**	102	102	102	–	–

27 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings at the balance sheet date. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the balance sheet date.

	2008		2007	
	Effective interest rate		Effective interest rate	
	%	***$'000***	*%*	*$'000*
Fixed rate borrowings:				
Bank loans	**7.90**	**43,476**	6.00	144,708
Variable rate borrowings:				
Finance lease liabilities	**3.58**	**35,082**	5.55	49,231
Bank overdrafts	**5.41**	**9,572**	8.00	9,842
Bank loans	**4.37**	**115,656**	6.19	58,818
Bills payable	**2.97**	**37,809**	5.33	17,447
		198,119		135,338

(ii) Sensitivity analysis

At 31st March, 2008 it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately $1,625,000 (2007: $1,078,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2007.

27 FINANCIAL INSTRUMENTS *(Continued)*

(d) **Currency risk**

The Group is exposed to 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 currency giving rise to this risk is primarily United States dollars ("USD").

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

Group

	2008	2007
	USD'000	*USD'000*
Cash and cash equivalents	**520**	320
Trade debtors, prepayments and deposits	**5,818**	5,917
Trade creditors and accrued charges	**(1,052)**	(498)
Bills payable	**(1,785)**	(556)
	3,501	5,183

(ii) Sensitivity analysis

As Hong Kong dollars ("HKD") are pegged to USD, the management does not expect any significant movements in the USD/HKD exchange rate.

(e) **Fair values**

Amounts due from subsidiaries are interest-free and have 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, 2008 and 2007.

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(Expressed in Hong Kong dollars)

27 FINANCIAL INSTRUMENTS *(Continued)*

(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.

28 COMMITMENTS

(a) **Capital commitments outstanding at 31st March, 2008 not provided for in the financial statements were as follows:**

	Group	
	2008	2007
	$'000	*$'000*
Contracted for	**3,275**	7,104

(b) **At 31st March, 2008, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:**

	Group	
	2008	2007
	$'000	*$'000*
Within one year	**2,587**	397
After one year but within five years	**7,924**	815
After five years	**20,656**	4,503
	31,167	5,715

The Group leases a number of properties under operating leases. The leases 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.

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(Expressed in Hong Kong dollars)

29 RETIREMENT SCHEMES

The Group maintains a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and 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 Scheme 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 beyond the contributions made.

The Group's contributions to the MPF and various PRC schemes for the year of $5,453,000 (2007: $3,908,000) are charged to the income statement.

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related companies

(i) During the year, the Group sold packaging products to companies which are controlled by a Non-Executive Director amounting to $17,260,000 (2007: $11,111,000), under normal commercial terms. Amounts due from such companies at 31st March, 2008 amounted to $5,201,000 (2007: $2,533,000).

(ii) During the year, the Group leased certain machines under finance leases and obtained overdraft facilities from a bank, a director of which is a close family member of a Director of the Company. Outstanding amounts of the Group's liabilities to the bank as at 31st March, 2008 are as follows:

	2008	2007
	$'000	*$'000*
Obligations under finance leases	**16,981**	21,548
Bank overdrafts	**1,602**	1,046
	18,583	22,594

Net book value of machines under the finance leases amounted to $18,728,000 as at 31st March, 2008 (2007: $29,521,000).

Total finance costs payable to the bank for the above facilities amounted to $1,157,000 for the year ended 31st March, 2008 (2007: $1,132,000).

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management personnel remuneration

Remuneration for key management personnel represents amounts paid to the Company's Directors as disclosed in note 7 and the highest paid employees as disclosed in note 8.

31 ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company at 31st March, 2008 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.

32 NON-ADJUSTING POST BALANCE SHEET EVENT

After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 10 to the financial statements.

33 COMPARATIVE FIGURES

Following the adoption of HKFRS 7, *Financial instruments: Disclosures*, and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2008. Further details of these developments are disclosed in note 2.

34 ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 27 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:

(a) Depreciation and amortisation

Fixed assets are depreciated or amortised 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 and amortisation expenses 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 and amortisation expenses for future periods are adjusted if there are material changes from previous estimates.

For the year ended 31st March, 2008
(Expressed in Hong Kong dollars)

34 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Provision for inventories

The Group reviews the carrying amounts of the inventories at each balance sheet date to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with the accounting policy set out in note 1(f). Management estimates the net realisable value based on the current market situation and historical experience on similar inventories. A considerable level of judgement is exercised by the Directors when assessing the net realisable value of inventories. Any increase or decrease in provision would affect profit or loss in future years.

(c) Impairment of assets

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 may be impaired. If any such indication exists, the recoverable amount of the asset is 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.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST MARCH, 2008

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, 2008 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, HKFRS 8, *Operating segments*, which is effective for annual periods beginning on or after 1st January, 2009, may result in new or amended disclosures in the financial statements.

(Expressed in Hong Kong dollars)

	2004 *$'000*	2005 *$'000*	2006 *$'000*	2007 *$'000*	**2008** ***$'000***
OPERATING RESULTS					
Turnover	435,411	471,142	443,088	494,612	**534,791**
Profit/(loss) from operations	32,275	14,315	(5,370)	32,664	**27,663**
Finance costs	(10,512)	(7,973)	(15,879)	(18,582)	**(16,658)**
Profit/(loss) before taxation	21,763	6,342	(21,249)	14,082	**11,005**
Income tax	(4,780)	(2,370)	(1,864)	(7,895)	**(3,402)**
Profit/(loss) for the year	16,983	3,972	(23,113)	6,187	**7,603**

(Expressed in Hong Kong dollars)

	2004	2005	2006	2007	**2008**
	$'000	*$'000*	*$'000*	*$'000*	***$'000***
ASSETS AND LIABILITIES					
Non-current assets	401,029	381,561	440,034	408,017	**410,357**
Net current (liabilities)/ assets	(24,431)	(93,144)	(171,025)	(9,842)	**6,916**
Total assets less current liabilities	376,598	288,417	269,009	398,175	**417,273**
Non-current liabilities	(115,808)	(27,069)	(25,169)	(135,623)	**(123,119)**
	260,790	261,348	243,840	262,552	**294,154**
Share capital	22,253	22,253	22,253	22,253	**22,253**
Reserves	238,537	239,095	221,587	240,299	**271,901**
	260,790	261,348	243,840	262,552	**294,154**

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.