



# NEW ISLAND PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 377)

# 新 洲 印 刷 集 團 有 限 公 司

(於百慕達註冊成立之有限公司)

(股份代號 : 377)

## 2008/2009 INTERIM REPORT

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# NEW ISLAND PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

## INTERIM REPORT 2008/2009

### CORPORATE INFORMATION

#### EXECUTIVE DIRECTORS

Madam So Chau Yim Ping, BBS, JP (*Chairman*)  
Mrs. Fung So Ka Wah, Karen\*  
(*Chief Executive Officer*)  
Mrs. Cheong So Ka Wai, Patsy\*\*  
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. Sinn Wai Kin, Derek\*\*\*  
Mr. Li Sau Yan, Philip\*\*\*\*

#### QUALIFIED ACCOUNTANT

Mr. Sinn Wai Kin, Derek\*\*\*  
Mr. Li Sau Yan, Philip\*\*\*\*

#### AUDIT COMMITTEE

Mr. She Chiu Shun, Ernest, Chairman  
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, Chairman  
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

\* appointed as Chief Executive Officer on  
1st November, 2008

\*\* resigned as Acting Chief Executive Officer  
on 1st November, 2008 but remained as  
Executive Director

\*\*\* appointed on 21st October, 2008

\*\*\*\* resigned on 21st October, 2008

#### 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>

## INTERIM RESULTS

The board of directors (“the Board”) of New Island Printing Holdings Limited (“the Company”) announces the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30th September, 2008 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th September, 2008 — unaudited*

*(Expressed in Hong Kong dollars)*

		Six months ended 30th September,	
	Note	2008 \$'000	2007 \$'000
<b>Turnover</b>	2	<b>350,090</b>	283,624
Cost of sales		<b>(270,447)</b>	(226,677)
		<b>79,643</b>	56,947
Other revenue		<b>5,024</b>	4,146
Other net (loss)/income		<b>(647)</b>	7,250
Selling and distribution costs		<b>(20,839)</b>	(15,423)
Administrative expenses		<b>(35,436)</b>	(33,271)
<b>Profit from operations</b>		<b>27,745</b>	19,649
Finance costs	3(a)	<b>(5,725)</b>	(8,538)
<b>Profit before taxation</b>	3	<b>22,020</b>	11,111
Income tax	4	<b>(8,187)</b>	(1,002)
<b>Profit for the period</b>	12	<b>13,833</b>	10,109
<b>Earnings per share</b>			
– Basic	5(a)	<b>6.22 cents</b>	4.54 cents
– Diluted	5(b)	<b>6.22 cents</b>	4.54 cents

*The notes on pages 7 to 16 form part of this interim financial report.*

**CONSOLIDATED BALANCE SHEET**  
**At 30th September, 2008 — unaudited**  
*(Expressed in Hong Kong dollars)*

		At 30th September, 2008		At 31st March, 2008	
	Note	\$'000	\$'000	\$'000	\$'000
<b>NON-CURRENT ASSETS</b>					
Fixed assets	6				
— Property, plant and equipment			364,476		375,557
— Interest in leasehold land held for own use under operating leases			30,338		30,744
Non-current prepayments			3,839		4,056
			<b>398,653</b>		410,357
<b>CURRENT ASSETS</b>					
Inventories		106,160		110,989	
Trade debtors, prepayments and deposits	7	158,339		112,942	
Pledged bank deposit	8	1,009		1,002	
Cash and cash equivalents		34,408		26,051	
		<b>299,916</b>		250,984	
<b>CURRENT LIABILITIES</b>					
Bank loans and overdrafts	8	112,281		82,063	
Obligations under finance leases	9	15,746		15,431	
Trade creditors and accrued charges	10	137,796		105,897	
Bills payable		43,254		37,809	
Current taxation payable		1,928		2,868	
		<b>311,005</b>		244,068	
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			<b>(11,089)</b>		6,916
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>387,564</b>		417,273

**CONSOLIDATED BALANCE SHEET***At 30th September, 2008 — unaudited (Continued)**(Expressed in Hong Kong dollars)*

		At 30th September, 2008		At 31st March, 2008	
	Note	\$'000	\$'000	\$'000	\$'000
<b>NON-CURRENT LIABILITIES</b>					
Bank loans	8	<b>47,060</b>		86,641	
Obligations under finance leases	9	<b>11,654</b>		19,651	
Deferred taxation		<b>23,088</b>		16,827	
			<b>(81,802)</b>		(123,119)
<b>NET ASSETS</b>			<b>305,762</b>		294,154
<b>CAPITAL AND RESERVES</b>					
Share capital	11		<b>22,253</b>		22,253
Reserves	12		<b>283,509</b>		271,901
<b>TOTAL EQUITY</b>			<b>305,762</b>		294,154

*The notes on pages 7 to 16 form part of this interim financial report.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*For the six months ended 30th September, 2008 — unaudited*  
*(Expressed in Hong Kong dollars)*

		<b>Six months ended</b>	
		<b>30th September,</b>	
	<i>Note</i>	<b>2008</b>	2007
		<b>\$'000</b>	\$'000
<b>Total equity at 1st April</b>		<b>294,154</b>	262,552
<b>Exchange differences arising on translation of the financial statements of subsidiaries outside Hong Kong</b>	<i>12</i>	—	3,374
<b>Net income for the period recognised directly in equity</b>		—	3,374
<b>Net profit for the period</b>	<i>12</i>	<b>13,833</b>	10,109
<b>Dividends approved in respect of the previous financial year</b>		<b>(2,225)</b>	—
<b>Total equity at 30th September</b>		<b>305,762</b>	276,035

*The notes on pages 7 to 16 form part of this interim financial report.*

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
*For the six months ended 30th September, 2008 — unaudited*  
*(Expressed in Hong Kong dollars)*

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash generated from/(used in) operations	44,317	(6,279)
Tax (paid)/refunded	(2,866)	1,503
<b>Net cash generated from/(used in) operating activities</b>	<b>41,451</b>	<b>(4,776)</b>
Net cash (used in)/generated from investing activities	(8,092)	8,503
Net cash used in financing activities	(18,268)	(3,202)
<b>Net increase in cash and cash equivalents</b>	<b>15,091</b>	<b>525</b>
Cash and cash equivalents at 1st April	16,479	33,318
Effect of foreign exchange rates changes	—	1,100
<b>Cash and cash equivalents at 30th September</b>	<b>31,570</b>	<b>34,943</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at bank and in hand	35,417	38,201
Pledged bank deposit	(1,009)	(1,038)
	<b>34,408</b>	<b>37,163</b>
Bank overdrafts	(2,838)	(2,220)
	<b>31,570</b>	<b>34,943</b>

*The notes on pages 7 to 16 form part of this interim financial report.*

## **NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

*(Expressed in Hong Kong dollars unless otherwise stated)*

### **1. BASIS OF PREPARATION**

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 5th December, 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group’s 2008 annual financial statements. HKICPA has issued a number of interpretations that are effective for accounting periods beginning on or after 1st January, 2008. The adoption of the new interpretations does not have any impact on the interim financial report.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

This interim financial report is unaudited, but has been reviewed by the independent auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 17. This interim financial report has also been reviewed by the Audit Committee of the Company.

The financial information relating to the financial year ended 31st March, 2008 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st March, 2008 are available from the Company’s registered office. The independent auditor has expressed an unqualified opinion on those financial statements in the independent auditor’s report dated 18th July, 2008.

The interim financial report has been prepared on a going concern basis notwithstanding the net current liabilities of \$11,089,000 at 30th September, 2008. The ability of the Group to operate as a going concern is dependent on the continuing availability of the facilities provided by the banks. The Board is of the opinion that the banks will continue to grant adequate facilities to the Group. Furthermore, the Board consider the Group will be able to generate adequate cash flows from its operations based on the cash flow forecast for the year ending 30th September, 2009 prepared by the Group’s management. Accordingly, the interim financial report has been prepared on a going concern basis.



## 2. TURNOVER

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

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

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

## 3. PROFIT BEFORE TAXATION

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

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2008</b>	2007
	<b>\$'000</b>	\$'000
(a) <b>Finance costs:</b>		
Finance charges on obligations under finance leases	<b>525</b>	1,333
Interest on bank loans and overdrafts	<b>5,200</b>	7,205
	<b>5,725</b>	8,538
(b) <b>Other items:</b>		
Cost of inventories sold	<b>270,447</b>	226,677
Depreciation		
- owned assets	<b>13,629</b>	12,626
- assets held under finance leases	<b>5,809</b>	5,745
Amortisation of land lease premium	<b>406</b>	387
Gain on disposal of fixed assets	<b>(129)</b>	(6,185)
Impairment loss on trade debtors recognised	<b>3,500</b>	893

#### 4. INCOME TAX

	Six months ended 30th September,	
	2008	2007
	\$'000	\$'000
<i>Current tax</i>		
Provision for Hong Kong Profits Tax	9	992
Provision for PRC income tax	1,917	1,644
	<hr/>	<hr/>
	1,926	2,636
<i>Deferred tax</i>		
Origination and reversal of temporary differences	6,261	(1,634)
	<hr/>	<hr/>
	8,187	1,002
	<hr/>	<hr/>

The provision for Hong Kong Profits Tax for the period was calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the period.

Income tax for subsidiaries in the PRC is calculated at the appropriate current rates for taxation ruling in the PRC.

#### 5. EARNINGS PER SHARE

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the consolidated profit for the period of \$13,833,000 (2007: \$10,109,000) and on the number of 222,529,000 shares (2007: 222,529,000 shares) in issue during the period.

(b) *Diluted earnings per share*

There were no dilutive potential shares during the six months ended 30th September, 2008 and 2007, and diluted earnings per share is the same as basic earnings per share.

## 6. FIXED ASSETS

During the six months ended 30th September, 2008, the Group acquired items of fixed assets with a cost of \$8,157,000 (six months ended 30th September, 2007: \$13,970,000).

## 7. TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

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

	<b>At 30th September, 2008 \$'000</b>	At 31st March, 2008 \$'000
Current and less than one month past due	<b>93,987</b>	85,330
One to three months past due	<b>51,953</b>	9,771
More than three months past due	<b>3,398</b>	8,354
	<hr/> <b>149,338</b>	<hr/> 103,455

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

## 8. BANK LOANS AND OVERDRAFTS

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

	<b>At 30th September, 2008 \$'000</b>	At 31st March, 2008 \$'000
Within one year or on demand	<b>112,281</b>	82,063
After one year but within two years	<b>25,820</b>	57,691
After two years but within five years	<b>21,240</b>	28,950
	<hr/> <b>47,060</b>	<hr/> 86,641
	<hr/> <b>159,341</b>	<hr/> 168,704

## 8. BANK LOANS AND OVERDRAFTS (Continued)

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

	<b>At 30th September, 2008 \$'000</b>	At 31st March, 2008 \$'000
Bank overdrafts		
- secured	<b>1,166</b>	4,001
- unsecured	<b>1,672</b>	5,571
	<b>2,838</b>	9,572
Bank loans		
- secured	<b>109,318</b>	100,664
- unsecured	<b>47,185</b>	58,468
	<b>156,503</b>	159,132
	<b>159,341</b>	168,704

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 \$155,055,000 (31st March, 2008: \$187,577,000) at 30th September, 2008. Assets pledged under such facilities are as follows:

	<b>At 30th September, 2008 \$'000</b>	At 31st March, 2008 \$'000
Fixed assets	<b>119,363</b>	163,687
Trade debtors	<b>34,683</b>	22,888
Pledged bank deposit	<b>1,009</b>	1,002
	<b>155,055</b>	187,577

## 8. BANK LOANS AND OVERDRAFTS *(Continued)*

The above secured banking facilities amounted to \$133,503,000 (31st March, 2008: \$188,256,000). The facilities were utilised to the extent of \$125,100,000 (31st March, 2008: \$122,577,000) at 30th September, 2008, comprising bank loans and overdrafts of \$110,484,000 (31st March, 2008: \$104,665,000) and bills payable of 14,616,000 (31st March, 2008: \$17,912,000).

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. As at 30th September, 2008 and 31st March, 2008, none of the covenants relating to drawn down facilities have been breached.

The Directors are of the opinion that adequate banking facilities will continue to be made available to the Group to finance its operations in the foreseeable future.

## 9. OBLIGATIONS UNDER FINANCE LEASES

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

	At 30th September, 2008			At 31st March, 2008		
	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000
Within one year	15,746	698	16,444	15,431	1,095	16,526
After one year but within two years	7,590	247	7,837	13,330	536	13,866
After two years but within five years	4,064	97	4,161	6,321	254	6,575
	11,654	344	11,998	19,651	790	20,441
	27,400	1,042	28,442	35,082	1,885	36,967

## 10. TRADE CREDITORS AND ACCRUED CHARGES

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

	<b>At 30th September, 2008 \$'000</b>	At 31st March, 2008 \$'000
Current and less than one month past due	<b>39,706</b>	50,974
One to three months past due	<b>44,844</b>	12,849
More than three months past due	<b>5,660</b>	2,174
	<b>90,210</b>	65,997

## 11. SHARE CAPITAL

	<b>No. of shares '000</b>	<b>Amount \$'000</b>
Authorised shares of \$0.1 each:		
At 1st April, 2008 and 30th September, 2008	380,000	38,000
Issued and fully paid shares of \$0.1 each:		
At 1st April, 2008 and 30th September, 2008	222,529	22,253

## 12. RESERVES

	<b>Share premium</b>	<b>Exchange reserve</b>	<b>Statutory surplus reserve</b>	<b>Other reserves</b>	<b>Retained profits</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1st April, 2007	37,741	13,166	16,267	4,764	168,361	240,299
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	3,374	—	—	—	3,374
Profit for the period	—	—	—	—	10,109	10,109
Dividends approved in respect of previous financial year	—	—	—	—	—	—
<b>At 30th September, 2007</b>	<b>37,741</b>	<b>16,540</b>	<b>16,267</b>	<b>4,764</b>	<b>178,470</b>	<b>253,782</b>
<b>At 1st April, 2008</b>	<b>37,741</b>	<b>37,165</b>	<b>18,001</b>	<b>4,857</b>	<b>174,137</b>	<b>271,901</b>
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	—	—	—	—	—
Profit for the period	—	—	—	—	13,833	13,833
Dividends approved in respect of previous financial year	—	—	—	—	(2,225)	(2,225)
<b>At 30th September, 2008</b>	<b>37,741</b>	<b>37,165</b>	<b>18,001</b>	<b>4,857</b>	<b>185,745</b>	<b>283,509</b>

### 13. COMMITMENTS

Capital commitments outstanding at 30th September, 2008, not provided for in the interim financial report:

	<b>At 30th September, 2008</b>	At 31st March, 2008
	<b>\$'000</b>	<b>\$'000</b>
Contracted for	<b>707</b>	3,275

### 14. MATERIAL RELATED PARTY TRANSACTIONS

#### (a) *Transactions with related companies*

- (i) During the period, the Group sold packaging products to companies which are controlled by a Non-Executive Director amounting to \$7,305,000 (2007: \$9,520,000), under normal commercial terms. Amounts due from such companies at 30th September, 2008 amounted to \$3,944,000 (31st March, 2008: \$5,201,000).
- (ii) During the period, 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 30th September, 2008 are as follows:

	<b>At 30th September, 2008</b>	At 31st March, 2008
	<b>\$'000</b>	<b>\$'000</b>
Obligations under finance leases	<b>14,364</b>	16,981
Bank overdrafts	<b>227</b>	1,602
	<b>14,591</b>	18,583

Net book value of machines under the finance leases amounted to \$21,566,000 as at 30th September, 2008 (31st March, 2008: \$23,130,000).

Total finance costs payable to the bank for the above facilities amounted to \$310,000 for the six months ended 30th September, 2008 (six months ended 30th September, 2007: \$624,000).

#### (b) *Key management personnel remuneration*

Remuneration for key management personnel, including amounts paid to the Company's Directors is as follows:

	<b>Six months ended 30th September,</b>	
	<b>2008</b>	2007
	<b>\$'000</b>	<b>\$'000</b>
Short-term employee benefits	<b>3,602</b>	3,282
Post-employment benefits	<b>156</b>	152
	<b>3,758</b>	3,434



**15. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31ST MARCH, 2009**

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31st March, 2009:

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 8	Operating segments	1st January, 2009
HKAS 1 (revised)	Presentation of financial statements	1st January, 2009
HKAS 23 (revised)	Borrowing costs	1st January, 2009
HKFRS 3 (revised)	Business combinations	Applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009
HKAS 27 (revised)	Consolidated and separate financial statements	1st July, 2009

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.

**16. APPROVAL OF INTERIM FINANCIAL REPORT**

The interim financial report was approved by the Board of Directors on 5th December, 2008.

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

*(Incorporated in Bermuda with limited liability)*

**Introduction**

We have reviewed the interim financial report set out on pages 2 to 16 which comprises the consolidated balance sheet of New Island Printing Holdings Limited as at 30th September, 2008 and the consolidated income statement, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months period then ended and the explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

**Scope of review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30th September, 2008 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”.

**KPMG**

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

5th December, 2008

## **BUSINESS REVIEW AND OUTLOOK**

The Group reported a turnover of approximately HK\$350.1 million for the six months period ended 30th September, 2008 (the “Review Period”), as compared to approximately HK\$283.6 million for the six months period ended 30th September, 2007 (the “Corresponding Period”). Profit before taxation and net profit for the Review Period increased respectively to approximately HK\$22.0 million and approximately HK\$13.8 million, as compared to approximately HK\$11.1 million and approximately HK\$10.1 million for the Corresponding Period.

Notwithstanding the difficult operating conditions amid the global financial turmoil, the Group achieved an increase of approximately 23.4% in turnover to approximately HK\$350.1 million for the Review Period. The increase in turnover was largely attributable to the increased orders in the local and PRC markets reflecting in part the additional demand for packaging printing products associated with the Olympic Games in Beijing. Gross profit margin also improved from approximately 20.1% during the Corresponding Period to approximately 22.7% during the Review Period. Under the hostile cost environment, the Group implemented stringent cost control measures and further streamlined its hand assembly operations through automation. This had enabled the Group to contain labour costs and cut down the number of headcounts during the Review Period when turnover actually increased. Moreover, as a high value added packaging service supplier with a strong market niche, the Group was able to raise prices for selected premium packaging printing products to match rising raw material costs. Accordingly, with the improvement in gross profit margin on top of the increase in turnover, gross profit increased by approximately 39.9% to approximately HK\$79.6 million for the Review Period.

With a gain of only HK\$0.1 million from assets disposal, however, other net loss amounted to approximately HK\$0.6 million during the Review Period.

On the back of the increase in turnover and given the increase in freight costs driven by the increase in freight rates, selling and distribution costs during the Review Period increased by approximately 35.1% to approximately HK\$20.8 million. Administration expenses, on the other hand, increased only by approximately 6.5% to approximately HK\$35.4 million during the Review Period. The increase was essentially due to the recognition of a one-off impairment loss of HK\$3.5 million on certain trade debtors. Meanwhile, in light of the uncertainty surrounding the global financial turmoil, the Group remained firmly committed to prudent financial management and continued to reduce the level of its borrowings. Coupled with the fall in borrowing rates, finance costs during the Review Period fell by approximately 32.9% to approximately HK\$5.7 million.

As a result of the combined effect of the foregoing, profit before taxation nearly doubled to approximately HK\$22.0 million for the Review Period. Nevertheless, mainly because of the recognition of certain deferred tax in relation to a subsidiary in Hong Kong totalling approximately HK\$5.9 million, income tax during the Review Period increased by approximately HK\$7.2 million to approximately HK\$8.2 million. Accordingly, net profit increased by approximately 36.8% to approximately HK\$13.8 million for the Review Period.

Over the last two financial years, the Group had taken a series of steps, including, among other things, the refinancing and rebalancing of its borrowing portfolio, the reorganisation of its operational units and the restructuring of its sales strategy, that the Directors believe had substantially strengthened the balance sheet, production efficiencies and earnings capabilities of the Group. This was evidenced by the notable turnaround in the Group’s financial metrics, whether in terms of turnover, net profit, net current assets/liabilities or net assets, since the financial year ended 31st March, 2006. The Directors are confident that the steps taken have strengthened and better positioned the Group to weather the challenges facing the packaging printing industry under the global financial turmoil and to capitalise on the opportunities from the expected industry consolidation once the global economy bottoms out.

## **FINANCIAL AND CAPITAL RESOURCES**

During the Review Period, the Group spent a total of approximately HK\$8.2 million on fixed assets investment. These investing activities and the daily operating activities of the Group were generally funded by the cash flow generated from the Group's operations and its banking facilities.

As at 30th September, 2008, the total borrowings of the Group, which were either denominated in Hong Kong dollars or Chinese Renminbi, stood at approximately HK\$230.0 million (31st March, 2008: HK\$241.6 million). Of these borrowings, approximately HK\$125.1 million (31st March, 2008: HK\$122.6 million) were secured by mortgages over the Group's land and buildings, machineries, trade debtors and pledged bank deposits with an aggregate net book value of approximately HK\$155.1 million (31st March, 2008: HK\$187.6 million). The net debt-to-capital ratio (defined as total interest-bearing borrowings less cash and cash equivalents divided by total equity) of the Group as at 30th September, 2008 was approximately 64.0% (31st March, 2008: 73.3%).

## **STAFF**

As at 30th September, 2008, the Group had a total staff of 2,826 (31st March, 2008: 3,092) of which 2,743 (31st March, 2008: 3,017) were employed in the PRC for the Group's manufacturing and distribution businesses.

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

## **INTERIM DIVIDEND**

The Board resolved not to pay an interim dividend for the six months ended 30th September, 2008 (2007: Nil).

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six months period ended 30th September, 2008.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## AUDIT COMMITTEE

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

Name of Directors	Ordinary shares of HK\$0.1 each			% of total issued shares at 30th September, 2008
	Personal interests (Note 1)	Corporate interests (Note 2)	Total number of shares held	
Madam So Chau Yim Ping, BBS, JP	19,800,000	132,000,000	151,800,000	68.22%
Mrs. Cheong So Ka Wai, Patsy	3,300,000	—	3,300,000	1.48%
Mrs. Fung So Ka Wah, Karen	3,300,000	—	3,300,000	1.48%
Mr. So Wah Sum, Conrad	3,300,000	—	3,300,000	1.48%
Mr. Ting Woo Shou, Kenneth, SBS, JP	105,000	—	105,000	0.05%

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

#### Notes:

1. All these shares 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 30th September, 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**

Name of Directors	New Island Printing Company Limited		Sonic Manufacturing Company Limited	
	Non-voting deferred shares of HK\$100 each	% of total non-voting deferred shares as at 30th September, 2008	Non-voting deferred shares of HK\$100 each	% of total non-voting deferred shares as at 30th September, 2008
Madam So Chau Yim Ping, BBS, JP	6,700	67%	500	50%
Mrs. Cheong So Ka Wai, Patsy	1,000	10%	500	50%
Mrs. Fung So Ka Wah, Karen	1,000	10%	—	—
Mr. So Wah Sum, Conrad	1,000	10%	—	—
Madam So Chau Yim Ping, BBS, JP and Mrs. Cheong So Ka Wai, Patsy	150	1.5%	—	—
	9,850	98.5%	1,000	100%

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

As at 30th September, 2008, apart from the foregoing, none of the Directors and chief executive of the Company or any of their spouses or children under the age of 18 had interests or short positions in the shares, underlying shares or debentures of the Company or subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

## **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. Details of the Scheme are set out in the 2008 annual report of the Company. The Scheme shall remain valid and effective until 27th September, 2017.

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

## **SUBSTANTIAL SHAREHOLDERS**

Save for those shares as referred to in the Directors’ interests in shares above, no person or corporation had any interest in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of substantial shareholders required to be kept by the Company pursuant to Section 336 of the SFO.

## **ARRANGEMENT TO PURCHASE SHARES**

Apart from the Scheme as disclosed above, at no time during the six months ended 30th September, 2008 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or the chief executive of the Company, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES**

During the six months ended 30th September, 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares.

## **COMPOSITION OF BOARD**

As at the date of this report, the Board comprises Madam So Chau Yim Ping, BBS, JP, Mrs. Fung So Ka Wah, Karen, Mrs. Cheong So Ka Wai, Patsy 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.

By Order of the Board

**Fung So Ka Wah, Karen**

*Chief Executive Officer*

Hong Kong, 5th December, 2008