新洲印刷集團有限公司
NEW ISLAND PRINTING HOLDINGS LIMITED

(Stock Code 股份代號 : 377)

2009
Annual Report
年報

CONTENTS

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****

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 REGISTRAR

Union Registrars Limited
Rooms 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 81, is the Chairman of the Company and the chairman of Remuneration Committee 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. Fung So Ka Wah, Karen, aged 58, is an Executive Director and Chief Executive Officer of the Company mainly responsible for the strategic planning, overall management and procurement of the Group. 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. Mrs. Fung is a daughter of Madam So Chau Yim Ping, BBS, JP.

Mrs. Cheong So Ka Wai, Patsy, aged 59, is an Executive Director and a member of the Remuneration Committee of the Company taking part of policy formulation and strategic planning and human resources 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.

Mr. So Wah Sum, Conrad, aged 54, is an Executive Director of the Company. His main responsibility is sales and marketing and management of Dongguan Plant. Mr. So graduated from the University of Waterloo in Canada with degrees in Environmental Studies and in Arts majoring in economics and accounting. He has obtained a master degree in Business Administration from Deakin University, Australia. Mr. So 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. Mr. So is the son of Madam So Chau Yim Ping, BBS, JP.

****** ***Mr. Ting Woo Shou, Kenneth,*** SBS, JP, aged 66, is a Non-Executive Director of the Company and a member of the Audit Committee of the Company. 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 Plastic 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 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. Ting joined the Group in 1993.

*** *Mr. Hui Yin Fat*,** O.B.E., JP, aged 73, is an Independent Non-Executive Director of the Company and a member of the Audit Committee and Remuneration Committee of the Company. 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. Hui joined the Group in 1993.

*** *Mr. She Chiu Shun, Ernest*,** aged 48, is an Independent Non-Executive Director of the Company, the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. 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. She joined the Group in 2004.

*** *Mr. Wong Wang Fat, Andrew*,** O.B.E. (Hon), JP, aged 65, is an Independent Non-Executive Director of the Company and a member of the Audit Committee and Remuneration Committee of the Company. 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 the Syracuse University, USA. He had been lecturing at The Chinese University of Hong Kong since 1970 and is now retired. Mr. Wong is also an Honorary President of the Hong Kong Corrugated Paper Manufacturers Association. He joined the Group in 1993.

* *Independent Non-Executive Directors*

** *Non-Executive Directors*

BIOGRAPHY OF SENIOR MANAGEMENT

Mr. Sinn Wai Kin, Derek**,** aged 50, is the Financial Controller responsible for the financial planning and management of the Group and is the company secretary of the Company. Mr. Sinn is a fellow member of the Hong Kong Institute of Certified Public Accountants and has more than 25 year in audit, accounting and financial management. He joined the Group in September 2008.

Mr. Lai Po Wah, Charles**,** aged 51, is the General Manager of Shanghai New Island Packaging Printing Company Limited. He is responsible for overall management of the Shanghai operation. Mr. Lai has over 30 years' experience in the printing industry. He is a graduate of Hong Kong Institute of Vocational Education (Kwun Tong) in printing. He joined the group since 1986.

Mr. Tee Swee Kan**,** aged 50, is the production director of New Island Printing Company Limited with the responsibility for manufacturing operations of the Dongguan Plants. He holds a bachelor of Science degree in Chemistry from Malaysia and a member of the Institute of Printing (UK). He has more than 20 years of production and operational management experience in the printing industry. Mr. Tee was employed by the Group from September 1990 to August 2002. He rejoined the Group in June 2008.

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 Wednesday, the 2nd day of September, 2009 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, 2009.

2. To declare a final dividend for the year ended 31st March, 2009.

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

   (a) Madam So Chau Yim Ping, BBS, JP

   (b) Mr. Hui Yin Fat, O.B.E. JP

   (c) Mr. Wong Wang Fat, Andrew, O.B.E.(Hon), 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
Sinn Wai Kin, Derek
Secretary

Hong Kong, 27th July, 2009

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 Tuesday, 25th August, 2009 to Wednesday, 2nd September, 2009, 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, Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 24th August, 2009.

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

   (a) **Madam So Chau Yim Ping**, BBS, JP, aged 81, is the Chairman of the Company and the chairman of the Remuneration Committee 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.

   Madam So 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.

   Madam So is the mother of Mrs. Fung So Ka Wah, Karen, Mrs. Cheong So Ka Wai, Patsy, and Mr. So Wah Sum, Conrad, directors of the Company. Madam So is holding 60% interest in Ka Chau Enterprises (B.V.I.) Limited which owns 132,000,000 shares of the Company. As at the date hereof, she has personal interests in 19,800,000 shares (representing approximately 8.9% of the issued share capital) of the Company and corporate interest of 132,000,000 shares (representing approximately 59.3% 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.

Madam So has entered into service agreement with the Company which may be terminated by either party giving to the other six months written notice. 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. Madam So 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, 2009, a director's emolument of HK$650,000 was paid to Madam So. Her director's emolument for the year ending 31st March, 2010 is proposed to be HK$650,000.

Save as disclosed above, there are no other matters relating to her re-election that need to be brought to the attention of the Shareholders and there is no information which is required to be disclosed pursuant to any of the requirements of Rules 13.51 (2)(h) to 13.51 (2)(v) of the Listing Rules.

(b) **Mr. Hui Yin Fat**, O.B.E., JP, aged 73, is an Independent Non-Executive Director of the Company and a member of the Audit Committee and Remuneration Committee of the Company. 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 a 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. Hui joined the Group in 1993.

Mr. Hui has not held any other directorship in other listed company in the last three years. Save as a member of the Audit Committee and Remuneration Committee, he does not hold any other position with the Company or any other members of the Company's group.

Mr. Hui does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Hui does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Hui has entered into an appointment letter with the Company for a term of two years commencing on 3rd July, 2009 and 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 payment and other forms of benefits. For the year ended 31st March, 2009, a director's fee of HK$50,000 is payable to Mr. Hui. His director's fee for the year ending 31st March, 2010 is proposed to be HK$50,000.

Save as disclosed above, there are no other matters relating to her re-election that need to be brought to the attention of the Shareholders and there is no information which is required to be disclosed pursuant to any of the requirements of Rules 13.51 (2)(h) to 13.51 (2)(v) of the Listing Rules.

(c) **Mr. Wong Wang Fat, Andrew**, O.B.E. (Hon), JP., age 65, is an Independent Non-Executive Director of the Company and a member of Audit Committee and Remuneration Committee of the Company. 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. He joined the Group in 1993.

Mr. Wong has not held any other directorship in other listed company in the last three years. Save as a member of the Audit Committee and Remuneration Committee, he does not hold any other position with the Company or any other members of the Company's group.

Mr. Wong does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company. He does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Wong has entered into an appointment letter with the Company for a term of two years commencing on 3rd July, 2009 and 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 payment and other forms of benefits. For the year ended 31st March, 2009, a director's fee of HK$50,000 is payable to Mr. Wong. His director's fee for the year ending 31st March, 2010 is proposed to be HK$50.000.

Save as disclosed above, there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no information which is required to be disclosed pursuant to any of the requirements of Rules 13.51 (2)(h) to 13.51 (2)(v) of the Listing Rules.

5. As at the date this notice, the Board consists of eight Directors, namely Madam So Chau Yim Ping, BBS, JP (Chairman), 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.

As discussed in my statement in the 2006 annual report of the Company, New Island had a solid track record of 40 years in the packaging printing industry and I was confident that the Group would be able to recover from any occasional underperformance. Since then, the Group had taken a series of steps in a timely and decisive manner with a view to restoring its financial well-being and operational competitiveness. As evidenced by the substantial improvement in the Group's financial position and operational performance, the Group had achieved a major turnaround since the year ended 31st March, 2006. This achievement was particularly gratifying considering the persistently difficult environment under which the Group had to operate.

In view of the substantial improvement in the Group's financial position and operational performance including, among other things, the strong cash flow generated by its operations, the Board has resolved to recommend a final dividend of HK3.0 cents per share for the year under review to be approved by the Shareholders at the forthcoming annual general meeting of the Company to be held on 2nd September, 2009.

Looking ahead, I expect that the operating climate will remain challenging given the uncertain outlook for the global economy, the fluctuations in raw material prices and the unabated pressure on labour costs. Nevertheless, having substantially strengthened its financial position and operational competitiveness, the Group is well placed to meet the challenges and capitalise on the opportunities in the packaging printing industry. I am confidential on the long term growth potential of the Group, which will continue to strive to enhance value for the Shareholders.

Finally, I would like to extend my gratitude to the dedicated staff of the Group for their hard work and contributions during the year under review. 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, 10th July, 2009

The Group reported for the year under review ("Review Period") a turnover of approximately HK$597.0 million (2007/08: HK$534.8 million). Profit before taxation and profit attributable to Shareholders for the Review Period were approximately HK$28.8 million and approximately HK$23.2 million (2007/08: HK$11.0 million and HK$7.6 million) respectively.

Notwithstanding the persistently difficult operating environment amid the global financial turmoil and economic downturn, the Group achieved during the Review Period a turnover of HK$597.0 million, representing an increase of approximately 11.6% over the corresponding period last year ("Corresponding Period"). The increase in turnover was largely attributable to the increased revenue from Mainland China and Europe. Sales to the European market increased reflecting the Group's strategic efforts in developing and diversifying its revenue base. The Group also benefited from the increased demand in packaging printing products associated with the Olympic Games in Beijing. During the Review Period, gross profit margin improved to approximately 21.8%, as compared to approximately 19.5% during the Corresponding Period. Under the persistently hostile operating conditions, the Group continued to identify and implement cost control initiatives and further streamlined its hand assembly operations through automation. This 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 printing service provider with a sterling reputation on quality, the Group was able to price selected premium packaging printing products to mitigate any adverse impact from the fluctuations in raw material costs. Accordingly, gross profit increased by approximately 25.1% over the Corresponding Period to approximately HK$130.3 million for the Review Period.

On the back of the increase in turnover, selling and distribution costs during the Review Period increased by approximately 20.8% over the Corresponding Period to approximately HK$36.5 million. When compared with the Corresponding Period, administrative expenses also increased by approximately 3.0% during the Review Period to approximately HK$62.2 million. The increase in administration costs, which was due in part to the recognition of impairment losses relating to certain trade debtors, was however contained at a rate well below the increase in turnover. 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 37.0% when compared with the Corresponding Period to approximately HK$10.5 million.

As a result of the combined effects of the foregoing, and notwithstanding the persistently difficult operating conditions, the Group achieved a significant increase of approximately 161.8% and approximately 204.6% over the Corresponding Period in profit before taxation and profit attributable to Shareholders to approximately HK$28.8 million and approximately HK$23.2 million for the Review Period respectively. During the Review Period, the Group also generated cash flow from its operations amounting to approximately HK$106.8 million, thereby meaningfully strengthening the Group's financial position. As set out in the section headed "Financial and Capital Resources", the net debt-to-capital ratio of the Group fell significantly to approximately 37.8% by 31st March, 2009 from approximately 73.3% as at 31st March, 2008.

Over the last three 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, with a view to strengthening the balance sheet, production efficiencies and earnings capabilities of the Group. As evidenced by the section headed "Five Year Summary", there had been a major turnaround in the Group's financial metrics, whether in terms of turnover, profits, net current assets/liabilities or net assets, since the year ended 31st March, 2006. The Directors believe that the steps taken have substantially strengthened and better positioned the Group to weather the challenges facing the packaging printing industry under the global financial turmoil and economic downturn and to capitalise on the opportunities from the expected industry consolidation once the global economy starts to recover.

During the Review Period, the Group spent a total of approximately HK$10 million on fixed asset investments. These fixed asset investments were financed by the Group's retained profits and bank borrowings. The daily operating activities of the Group were funded by the cash flow generated from the Group's operations and by its banking facilities.

As at 31st March, 2009, the Group had bank borrowings, which were either denominated in Hong Kong dollars or Chinese Renminbi, totaling approximately HK$168 million (2007/08: HK$242 million). Of these borrowings, approximately HK$102 million (2007/08: HK$123 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$139 million (2007/08: HK$188 million). The net debt-to-capital ratio (defined as total interest-bearing borrowings less cash and cash equivalents, divided by all components of equity) of the Group as at 31st March, 2009 stood at approximately 37.8% (2007/08: 73.3%).

The Directors are of the opinion that the Group will be able to generate adequate cash flow from its operations and to obtain 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 applied the principles and complied with the provisions of 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") for the year ended 31st March, 2009.

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.

Mrs. Cheong So Ka Wai, Patsy resigned as Acting Chief Executive Officer of the Company during the financial year ended 31st March, 2009 but remains as an Executive Director of the Company and Mrs. Fung So Ka Wah, Karen was appointed as Chief Executive Officer of the Company on 1st November, 2008.

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

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

The Chairman, Madam So Chau Yim Ping, BBS, JP, and the Acting Chief Executive Officer, Mrs. Cheong So Ka Wai, Patsy up to 1st November, 2008 and thereafter Mrs. Fung So Ka Wah, Karen as Chief Executive Officer, have different roles. The Chairman is responsible for the operations of the Board and the responsibility of the 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.

BOARD OF DIRECTORS *(Continued)*

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

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

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

There were four regular Board meetings and five additional Board meetings held in the year ended 31st March, 2009. 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	3/4
Mrs. Fung So Ka Wah, Karen	4/4
Mrs. Cheong So Ka Wai, Patsy	4/4
Mr. So Wah Sum, Conrad	4/4
Non-Executive Director:	
Mr. Ting Woo Shou, Kenneth, SBS, JP	3/4
Independent Non-Executive Directors:	
Mr. Hui Yin Fat, O.B.E., JP	0/4
Mr. She Chiu Shun, Ernest	4/4
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP	2/4

REMUNERATION COMMITTEE

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

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

The roles and functions of the Remuneration Committee include the formulation and review of the recommendation to the Board on the remuneration policy as well as the determination of the specific remuneration packages of the Executive Directors and the Group's senior management. The Remuneration Committee also ensures that 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, 2009 and the works 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, 2009.

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	0/1
Mr. She Chiu Shun, Ernest	1/1
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP	1/1

NOMINATION OF DIRECTORS

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

On 1st November, 2008, Mrs. Cheong So Ka Wai, Patsy resigned as Acting Chief Executive Officer of the Company but remained as Executive Director of the Company, and Mrs. Fung So Ka Wah, Karen was appointed as Chief Executive Officer of the Company which had been approval by the Board. Save as aforesaid, there was no change of directorship in the Company during the year ended 31st March, 2009.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-Executive Directors, Mr. She Chiu Shun, Ernest, Mr. Hui Yin Fat, O.B.E. JP and Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP and one Non-Executive Director, Mr. Ting Woo Shou, Kenneth, SBS, J.P. The Audit Committee is chaired by Mr. She Chiu Shun, Ernest and reports directly to the Board.

The Audit Committee meets regularly with the senior management of the Group and the external auditors of the Company. A copy of the written terms of reference which describe the authority and duty of the Audit Committee and had been amended during the financial year ended 31st March, 2009 to conform with the amendments to the Code, is posted on the Company's website.

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 three times during the year ended 31st March, 2009 and the works carried out by the Audit Committee included the following:

— reviewed the consolidated financial statements of the Company for the year ended 31st March, 2008;

— reviewed the consolidated financial statements of the Company for the six months ended 30th September, 2008;

— 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, 2009;

— 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;

AUDIT COMMITTEE *(Continued)*

— 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, 2009, the Audit Committee also had a meeting to review the consolidated financial statements of the Company for the year ended 31st March, 2009.

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	3/3
Mr. Hui Yin Fat, O.B.E., JP	0/3
Mr. Ting Woo Shou, Kenneth, SBS, JP	1/3
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP	3/3

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 ended 31st March, 2009, made arrangements to review the Group's internal control system, the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions and their training programmes and budget, 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, 2009, the Company's external auditors charged the Company HK$1,125,000 for audit services, HK$98,000 for related disbursement and HK$47,000 for non-audit services. The non-audit services undertaken by the Company's external auditors were mainly for the tax advisory services.

FINANCIAL REPORTING

The Board acknowledges its responsibility for the preparation of the consolidated financial statements of the Company for the year ended 31st March, 2009, 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 30 to 31 of this Annual Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by directors of listed issuers (the "Model Code") set out in appendix 10 of the Listing Rules as the code of conduct of securities transactions by directors and has adopted similar guidelines on no less exacting terms than the Model Code for application to the Group's senior management and designated people who are likely to be in possession of unpublished price sensitive information of the Group. In response to specific enquiries made by the Company, all Directors have confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31st March, 2009.

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. The Company's website offers a channel of communication between the Company and the Shareholders, and is frequently updated with key information of the Group.

The Company regular has informed the Shareholders of the procedure for voting by poll and ensures compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company. At the Company's 2008 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 Group.

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, 2009.

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, 2009 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 32 to 90.

DIVIDEND

The Directors recommended the payment of a final dividend of HK3.0 cents (2008: HK1.0 cent) per share for the year ended 31st March, 2009.

The proposed final dividend, if approved at the 2009 annual general meeting of the Company, is expected to be paid on or before 9th September, 2009 to Shareholders whose name appear on the register of members of the Company on 2nd September, 2009.

TRANSFER TO RESERVES

Profits attributable to shareholders of HK$23,159,000 (2008: HK$7,603,000) 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$80,000 (2008: HK$158,000).

SUBSIDIARIES

Particulars of the Company's subsidiaries at 31st March, 2009 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 91 to 92.

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	34
The largest customer	14
Purchases	
Five largest suppliers in aggregate	30
The largest supplier	12

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, 2009 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. Fung So Ka Wah, Karen *(appointed as Chief Executive Officer on 1st November, 2008)*
Mrs. Cheong So Ka Wai, Patsy *(resigned as Acting Chief Executive Officer and remains as Executive Director on 1st November, 2008)*
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, Madam So Chau Yim Ping, BBS, JP, Mr. Hui Yin Fat, O.B.E., JP and Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), 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 and resigned as Acting Chief Executive Officer on 1st November, 2008. Mrs. Fung So Ka Wah, Karen was appointed as Chief Executive Officer on 1st November, 2008. 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 and was subsequently renewed for a period of two years from 3rd July, 2009. 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 and was subsequently renewed for a period of two years from 3rd July, 2009.

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, 2009.

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, 2009 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. Fung So Ka Wah, Karen	3,300,000	—	3,300,000	1.48%
Mrs. Cheong So Ka Wai, Patsy	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, 2009. Madam So Chau Yim Ping, BBS, JP had a 60 per cent. interest in Ka Chau, and each of Mrs. Fung So Ka Wah, Karen and Mrs. Cheong So Ka Wai, Patsy 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 Non-voting deferred shares of HK$100 each	New Island Printing Company Limited % of total non-voting deferred shares as at 31st March, 2009	Sonic Manufacturing Company Limited Non-voting deferred shares of HK$100 each	Sonic Manufacturing Company Limited % of total non-voting deferred shares as at 31st March, 2009
Madam So Chau Yim Ping, BBS, JP	6,700	67.0%	500	50%
Mrs. Fung So Ka Wah, Karen	1,000	10.0%	—	—
Mrs. Cheong So Ka Wai, Patsy	1,000	10.0%	500	50%
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, 2009, 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 of the Company, 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, 2009 to Kader and Qualidux amounted to HK$10,916,000 (2008: HK$17,260,000).

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 Board of Directors has engaged the auditors of the Company to perform certain agreed-upon procedures in respect of the continuing connected transactions of the Group. The auditors of the Company provided the Board of Directors with a letter stating that:

(i) the continuing connected transactions had received the approval of the Board of Directors; and

(ii) they have carried out the agreed upon procedures on selected samples of each of the continuing connected transactions, and confirmed that (a) the prices charged for each of the transactions selected were in accordance with the pricing terms set out in the relevant agreements governing such transactions, and (b) there was an agreement in place governing each selected transaction.

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, 2009, the Group had a total staff of 2,836 (2008: 3,092), of which 2,776 (2008: 3,017) 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, 2009 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
Fung So Ka Wah, Karen
Chief Executive Officer

Hong Kong, 10th July, 2009

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") and its subsidiaries ("the Group") set out on pages 32 to 90, which comprise the consolidated and company balance sheets as at 31st March, 2009, 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, 2009 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
10th July, 2009

Consolidated Income Statement

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

	Note	**2009**	2008
		$'000	*$'000*
Turnover	*3 & 12*	**597,028**	534,791
Cost of sales		**(466,735)**	(430,644)
		130,293	104,147
Other revenue	*4(a)*	**8,618**	8,702
Other net (loss)/gain	*4(b)*	**(982)**	5,370
Selling and distribution costs		**(36,469)**	(30,190)
Administrative expenses		**(62,160)**	(60,366)
Profit from operations		**39,300**	27,663
Finance costs	*5(a)*	**(10,491)**	(16,658)
Profit before taxation	*5*	**28,809**	11,005
Income tax	*6(a)*	**(5,650)**	(3,402)
Profit for the year	*9 & 25(a)*	**23,159**	7,603
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	*10*	**3.0 cents**	1.0 cent
Earnings per share	*11*		
– Basic		**10.41 cents**	3.42 cents
– Diluted		**10.41 cents**	3.42 cents

The notes on pages 39 to 90 form part of these financial statements.

Consolidated Balance Sheet

At 31st March, 2009
(Expressed in Hong Kong dollars)

	Note	2009		2008	
		$'000	**$'000**	$'000	$'000
NON-CURRENT ASSETS					
Fixed assets	13				
– Property, plant and equipment		**354,162**		375,557	
– Interests in leasehold land held for own use under operating leases		**30,315**		30,744	
		384,477		406,301	
Non-current prepayments	14	**—**		4,056	
			384,477		410,357
CURRENT ASSETS					
Inventories	16	**67,672**		110,989	
Trade debtors, prepayments and deposits	17	**97,120**		112,942	
Current tax recoverable	23(a)	**29**		—	
Pledged bank deposit	18	**1,011**		1,002	
Cash and cash equivalents	18	**47,692**		26,051	
		213,524		250,984	
CURRENT LIABILITIES					
Bank loans and overdrafts	19	**80,120**		82,063	
Obligations under finance leases	20	**13,375**		15,431	
Trade creditors and accrued charges	21	**89,348**		105,897	
Bills payable	22	**22,761**		37,809	
Current tax payable	23(a)	**4,552**		2,868	
		210,156		244,068	
NET CURRENT ASSETS			**3,368**		6,916
TOTAL ASSETS LESS CURRENT LIABILITIES			**387,845**		417,273

At 31st March, 2009
(Expressed in Hong Kong dollars)

	Note	**2009**		2008	
		$'000	***$'000***	*$'000*	*$'000*
NON-CURRENT LIABILITIES					
Bank loans	*19*	**45,970**		86,641	
Obligations under finance leases	*20*	**6,208**		19,651	
Deferred taxation	*23(b)*	**16,232**		16,827	
			(68,410)		(123,119)
NET ASSETS			**319,435**		294,154
CAPITAL AND RESERVES					
Share capital	*24*		**22,253**		22,253
Reserves	*25(a)*		**297,182**		271,901
TOTAL EQUITY			**319,435**		294,154

Approved and authorised for issue by the Board of Directors on 10th July, 2009.

So Chau Yim Ping
Chairman

Fung So Ka Wah, Karen
Chief Executive Officer

The notes on pages 39 to 90 form part of these financial statements.

Balance Sheet

At 31st March, 2009

(Expressed in Hong Kong dollars)

	Note	**2009**		2008	
		$'000	***$'000***	*$'000*	*$'000*
NON-CURRENT ASSETS					
Investments in subsidiaries	*15*		**140,821**		143,340
CURRENT ASSETS					
Prepayments and deposits	*17*	**158**		155	
Cash and cash equivalents	*18*	**34**		34	
		192		189	
CURRENT LIABILITIES					
Accrued charges	*21*	**361**		164	
NET CURRENT (LIABILITIES)/ ASSETS			**(169)**		25
NET ASSETS			**140,652**		143,365
CAPITAL AND RESERVES					
Share capital	*24*		**22,253**		22,253
Reserves	*25(b)*		**118,399**		121,112
TOTAL EQUITY			**140,652**		143,365

Approved and authorised for issue by the Board of Directors on 10th July, 2009.

So Chau Yim Ping
Chairman

Fung So Ka Wah, Karen
Chief Executive Officer

The notes on pages 39 to 90 form part of these financial statements.

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

	Note	**2009** **$'000**	2008 *$'000*
Total equity at 1st April		**294,154**	262,552
Net income recognised directly in equity:			
Exchange differences arising on translation of the financial statements of subsidiaries outside Hong Kong	*25(a)*	**4,347**	23,999
Profit for the year	*25(a)*	**23,159**	7,603
Total recognised income and expense for the year		**27,506**	31,602
Dividend declared and approved during the year	*25(a)*	**(2,225)**	—
Total equity at 31st March		**319,435**	294,154

The notes on pages 39 to 90 form part of these financial statements.

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

	Note	2009	2008
		$'000	*$'000*
OPERATING ACTIVITIES			
Profit before taxation		**28,809**	11,005
Adjustments for:			
– Depreciation and amortisation	*5(c)*	**39,376**	38,157
– Interest income	*4(a)*	**(283)**	(637)
– Finance costs	*5(a)*	**10,491**	16,658
– Net gain on disposal of fixed assets	*4(b)*	**(120)**	(6,212)
– Foreign exchange loss		**430**	131
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		**78,703**	59,102
Decrease/(increase) in inventories		**44,127**	(32,181)
Decrease in trade debtors, prepayments and deposits		**16,759**	998
(Decrease)/increase in trade creditors and accrued charges		**(17,702)**	17,119
(Decrease)/increase in bills payable		**(15,048)**	20,362
CASH GENERATED FROM OPERATIONS		**106,839**	65,400
Tax (paid)/refunded			
– Hong Kong Profits Tax refunded		**14**	3,675
– The People's Republic of China corporate income tax paid		**(4,642)**	(4,839)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**102,211**	64,236
INVESTING ACTIVITIES			
Payment for purchase of fixed assets		**(9,818)**	(34,392)
Interest received		**283**	637
Proceeds from disposal of fixed assets		**339**	24,999
NET CASH USED IN INVESTING ACTIVITIES		**(9,196)**	(8,756)

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

	Note	2009	2008
		$'000	$'000
FINANCING ACTIVITIES			
(Increase)/decrease in pledged bank deposit		**(9)**	11,162
Proceeds from new bank loans		**149,756**	341,509
Repayment of bank loans		**(183,802)**	(398,481)
Proceeds from inception of finance leases		**—**	16,450
Capital element of finance lease rental payments		**(15,499)**	(30,599)
Interest on bank loans and overdrafts paid		**(9,570)**	(14,302)
Interest element of finance lease rental payments		**(921)**	(2,356)
Dividend paid to equity shareholders of the Company	*10*	**(2,225)**	—
NET CASH USED IN FINANCING ACTIVITIES		**(62,270)**	(76,617)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**30,745**	(21,137)
CASH AND CASH EQUIVALENTS AT 1ST APRIL		**16,479**	33,318
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**403**	4,298
CASH AND CASH EQUIVALENTS AT 31ST MARCH	*18*	**47,627**	16,479

The notes on pages 39 to 90 form part of these financial statements.

For the year ended 31st March, 2009
(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, 2009 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.

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 33.

(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)).

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely that the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(h). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leased assets *(Continued)*

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

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

(f) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less 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 cost or 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.

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

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, 2009
(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.

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.

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

On disposal of an 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.

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, 2009
(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new Interpretation and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company:

— HK(IFRIC) 12, *Service concession arrangements;*

— HK(IFRIC) 14, HKAS 19 – *The limit on a defined benefit assets, minimum funding requirements and their interaction;* and

— Amendment to HKAS 39, *Financial instruments: Recognition and measurement, and HKFRS 7, Financial instruments: Disclosures – Reclassification of financial assets.*

The HKFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 34).

3 TURNOVER

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

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

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

4 OTHER REVENUE AND NET (LOSS)/GAIN

	2009	2008
	$'000	*$'000*
(a) Other revenue		
Licence fee income	**7,800**	7,836
Interest income	**283**	637
Others	**535**	229
	8,618	8,702
(b) Other net (loss)/gain		
Net gain on disposal of fixed assets	**120**	6,212
Net exchange loss	**(1,201)**	(707)
Others	**99**	(135)
	(982)	5,370

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

5 PROFIT BEFORE TAXATION

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

		2009	2008
		$'000	*$'000*
(a)	**Finance costs:**		
	Finance charges on obligations under finance leases	**921**	2,356
	Interest on bank overdrafts and advances repayable within five years	**9,570**	14,302
		10,491	16,658
(b)	**Staff costs: (excluding directors' fee) #**		
	Contributions to defined contribution retirement plans	**7,718**	5,453
	Salaries, wages and other benefits	**110,235**	108,364
		117,953	113,817
(c)	**Other items:**		
	Cost of inventories sold #	**466,735**	430,644
	Auditor's remuneration		
	– audit services		
	– provision for the year	**1,125**	1,040
	– over-provision in respect of prior years	**—**	(240)
	– tax services	**47**	90
	– other services	**98**	70
	Depreciation #		
	– owned assets	**26,831**	25,030
	– assets held under finance leases	**11,715**	12,125
	Amortisation of land lease premium #	**830**	1,002
	Operating lease charges for land and buildings #	**3,191**	1,660
	Impairment loss on trade debtors	**5,208**	3,844

Cost of inventories includes $113,205,000 (2008: $112,208,000) relating to certain 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.

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6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009	2008
	$'000	$'000
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year	**1,457**	600
Under-provision in respect of prior years	**536**	83
	1,993	683
Current tax – The People's Republic of China ("PRC") corporate income tax		
Provision for the year	**4,282**	4,828
(Over)/under-provision in respect of prior years	**(30)**	284
	4,252	5,112
Deferred tax		
Origination and reversal of temporary differences	**(595)**	(1,576)
Effect of change in tax rate on deferred tax balances	**—**	(817)
	(595)	(2,393)
	5,650	3,402

Hong Kong Profits Tax

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 17.5%) of the estimated assessable profits for the year.

In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31st March, 2009. This decrease was taken into account when measuring the Group's deferred tax liabilities as at 31st March, 2008.

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

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

PRC corporate income tax

The Company's subsidiaries in the PRC are subject to PRC corporate 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 were preferential tax arrangements for DNIP and NISPP. DNIP was granted a tax relief in 2006 as it was recognised as an Export Enterprise. As a result, it was subject to an 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 then subject to a reduced tax rate at 50% of the applicable income tax rate for the following three years. NISPP has its first profit-making year for tax purpose in the calendar year ended 31st December, 2007.

On 16th March, 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which 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, NISPP will continue to enjoy the remaining tax holiday until its 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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6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

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

	2009	2008
	$'000	*$'000*
Profit before taxation	**28,809**	11,005
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	**3,929**	703
Tax effect of non-deductible expenses	**2,808**	2,461
Tax effect of non-taxable revenue	**(42)**	(90)
Tax effect of unused tax losses not recognised	**816**	—
Tax effect of temporary differences not recognised	**—**	778
Tax effect of reversal of temporary differences not recognised in prior years	**(2,367)**	—
Tax effect of change in tax rate	**—**	(817)
Under-provision in respect of prior years	**506**	367
Actual tax expense	**5,650**	3,402

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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, 2009

	Directors' fees $'000	Salaries, allowances and benefits $'000	Retirement scheme contributions $'000	Total $'000
Executive Directors				
Madam So Chau Yim Ping, BBS, JP	—	650	18	668
Mrs. Fung So Ka Wah, Karen	—	650	30	680
Mrs. Cheong So Ka Wai, Patsy	—	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, 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. Fung So Ka Wah, Karen	—	650	30	680
Mrs. Cheong So Ka Wai, Patsy	—	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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8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, one (2008: one) is Director whose emolument is disclosed in note 7. The emoluments of the other four (2008: four) individuals are as follows:

	2009	2008
	$'000	*$'000*
Salaries, allowances and benefits in kind	**3,788**	4,213
Retirement scheme contributions	**157**	183
	3,945	4,396

The emoluments of the above four (2008: four) individuals with the highest emoluments are within the following bands:

	2009	2008
	Number of individuals	*Number of individuals*
Nil to $1,000,000	**3**	3
$1,000,001 to $1,500,000	**1**	1
	4	4

9 PROFIT FOR THE YEAR

The consolidated profit for the year includes a loss of $488,000 (2008: profit of $17,312,000) which has been dealt with in the financial statements of the Company.

10 DIVIDENDS

	2009	2008
	$'000	*$'000*
Final dividend proposed after the balance sheet date of 3.0 cents (2008: 1.0 cent) per share	**6,676**	2,225

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

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 $23,159,000 (2008: $7,603,000) and on the number of 222,529,000 (2008: 222,529,000) shares in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential shares during the years ended 31st March, 2009 and 2008, and diluted earnings per share are 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, including Hong Kong, 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:

	2009	2008
	$'000	*$'000*
Hong Kong	**116,947**	114,779
Other areas of the PRC	**268,602**	247,376
United States	**129,862**	141,575
Europe	**51,546**	18,046
Other countries	**30,071**	13,015
	597,028	534,791

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13 FIXED ASSETS

(a) Group

	Land and buildings $'000	Properties under development $'000	Machinery Owned $'000	Machinery Leased $'000	Tools $'000	Furniture and fixtures $'000	Computer and office equipment $'000	Motor vehicles $'000	Sub-total $'000	Interests in leasehold land held for own use under operating leases $'000	Total fixed assets $'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

13 FIXED ASSETS *(Continued)*

(a) Group *(Continued)*

	Land and buildings	Properties under development	Machinery		Tools	Furniture and fixtures	Computer and office equipment	Motor vehicles	Sub-total	Interests in leasehold land held for own use under operating leases	Total fixed assets
			Owned	Leased							
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:											
At 1st April, 2008	275,402	761	201,852	152,610	8,400	24,297	34,366	9,281	706,969	39,580	746,549
Exchange adjustments	2,941	14	1,256	1,304	–	79	327	61	5,982	412	6,394
Additions	773	710	10,168	–	40	283	1,054	846	13,874	–	13,874
Transfer from properties under development	1,460	(1,485)	25	–	–	–	–	–	–	–	–
Disposals	(240)	–	(272)	–	–	(88)	(16)	(1,654)	(2,270)	–	(2,270)
At 31st March, 2009	280,336	–	213,029	153,914	8,440	24,571	35,731	8,534	724,555	39,992	764,547
Accumulated amortisation and depreciation:											
At 1st April, 2008	69,743	–	128,249	68,792	7,187	21,800	28,183	7,458	331,412	8,836	340,248
Exchange adjustments	727	–	1,005	379	–	52	278	45	2,486	11	2,497
Charge for the year	11,605	–	10,363	11,715	339	628	2,643	1,253	38,546	830	39,376
Written back on disposal	(240)	–	(186)	–	–	(84)	(16)	(1,525)	(2,051)	–	(2,051)
At 31st March, 2009	81,835	–	139,431	80,886	7,526	22,396	31,088	7,231	370,393	9,677	380,070
Net book value:											
At 31st March, 2009	198,501	–	73,598	73,028	914	2,175	4,643	1,303	354,162	30,315	384,477

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13 FIXED ASSETS *(Continued)*

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

	Group	
	2009	2008
	$'000	*$'000*
Situated in Hong Kong and held under medium term leases	**81,127**	83,667
Situated outside Hong Kong and held under medium term leases	**147,689**	153,497
	228,816	237,164
Representing:		
Land and buildings	**198,501**	205,659
Interests in leasehold land held for own use under operating leases	**30,315**	30,744
Properties under development	**—**	761
	228,816	237,164

14 NON-CURRENT PREPAYMENTS

Non-current prepayments of the Group in 2008 represented advance payments for acquisition of fixed assets.

15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	$'000	*$'000*
Unlisted investments, at cost	**82,360**	82,360
Amounts due from subsidiaries	**58,461**	60,980
	140,821	143,340

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	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	
	2009	2008
	$'000	*$'000*
Raw materials	**30,649**	66,953
Work in progress	**16,999**	26,674
Finished goods	**20,024**	17,362
	67,672	110,989

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

	Group	
	2009	2008
	$'000	*$'000*
Carrying amount of inventories sold	**464,409**	430,567
Write-down of inventories	**2,326**	77
	466,735	430,644

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17 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2009	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*
Trade debtors	**97,647**	108,012	**—**	—
Less: allowance for doubtful debts (note 17(b))	**(9,598)**	(4,557)	**—**	—
	88,049	103,455	**—**	—
Other receivables	**7,855**	7,734	**—**	—
Deposits and prepayments	**1,216**	1,753	**158**	155
	97,120	112,942	**158**	155

All trade debtors, prepayments and deposits, apart from deposits of the Group amounting to $501,000 (2008: $298,000), 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	
	2009	2008
	$'000	*$'000*
Current	**71,407**	68,785
Less than one month past due	**3,380**	16,545
One to three months past due	**5,296**	9,771
Over three months past due	**7,966**	8,354
	88,049	103,455

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	
	2009	2008
	$'000	*$'000*
At 1st April	**4,557**	695
Exchange adjustments	**12**	18
Impairment loss recognised	**5,208**	3,844
Uncollectible amounts written off	**(179)**	—
At 31st March	**9,598**	4,557

At 31st March, 2009, the Group's trade debtors of $9,598,000 (2008: $4,557,000) were individually determined to be impaired. The individually impaired receivables related to customers that were default in payments and management assessed that the receivables are not expected to be recovered. Consequently, specific allowance for doubtful debts of $9,598,000 (2008: $4,557,000) was recognised. The Group does not hold any collateral over these balances.

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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	
	2009	2008
	$'000	*$'000*
Neither past due nor impaired	**71,407**	68,785
Less than one month past due	**3,380**	16,545
One to three months past due	**5,296**	9,771
Over three months past due	**7,966**	8,354
	16,642	34,670
	88,049	103,455

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	
	2009	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*
Cash at bank and in hand	**48,703**	27,053	**34**	34
Pledged bank deposit (note 19)	**(1,011)**	(1,002)	**—**	—
Cash and cash equivalents in the balance sheet	**47,692**	26,051	**34**	34
Bank overdrafts (note 19)	**(65)**	(9,572)		
Cash and cash equivalents in the cash flow statement	**47,627**	16,479		

19 BANK LOANS AND OVERDRAFTS

At 31st March, 2009, bank loans and overdrafts were repayable as follows:

	Group	
	2009	2008
	$'000	*$'000*
Within one year or on demand	**80,120**	82,063
After one year but within two years	**33,690**	57,691
After two years but within five years	**12,280**	28,950
	45,970	86,641
	126,090	168,704

19 BANK LOANS AND OVERDRAFTS *(Continued)*

At 31st March, 2009, bank loans and overdrafts were secured as follows:

	Group	
	2009	2008
	$'000	*$'000*
Bank overdrafts		
– secured	**—**	4,001
– unsecured	**65**	5,571
	65	9,572
Bank loans		
– secured	**87,706**	100,664
– unsecured	**38,319**	58,468
	126,025	159,132
	126,090	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 $139,207,000 (2008: $187,577,000) at 31st March, 2009. Assets pledged under such facilities are as follows:

	2009	2008
	$'000	*$'000*
Fixed assets	**102,327**	163,687
Trade debtors	**35,869**	22,888
Pledged bank deposit (note 18)	**1,011**	1,002
	139,207	187,577

The above secured banking facilities amounted to $136,657,000 (2008: $188,256,000). The facilities were utilised to the extent of $102,435,000 (2008: $122,577,000) at 31st March, 2009, comprising bank loans and overdrafts of $87,706,000 (2008: $104,665,000) and bills payable of $14,729,000 (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. Further details of the Group's management of liquidity risk are set out in note 27(b). As at 31st March, 2009, none of the bank covenants relating to drawn down facilities have been breached.

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20 OBLIGATIONS UNDER FINANCE LEASES

At 31st March, 2009, the Group had obligations under finance leases payable as follows:

	2009			2008		
	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	**13,375**	**263**	**13,638**	15,431	1,095	16,526
After one year but within two years	**3,781**	**94**	**3,875**	13,330	536	13,866
After two years but within five years	**2,427**	**22**	**2,449**	6,321	254	6,575
	6,208	**116**	**6,324**	19,651	790	20,441
	19,583	**379**	**19,962**	35,082	1,885	36,967

21 TRADE CREDITORS AND ACCRUED CHARGES

	Group		**Company**	
	2009	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*
Trade creditors	**43,922**	65,997	**—**	—
Other payables and accrued charges	**45,426**	39,900	**361**	164
	89,348	105,897	**361**	164

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

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21 TRADE CREDITORS AND ACCRUED CHARGES *(Continued)*

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

	Group	
	2009	2008
	$'000	*$'000*
Current and less than one month past due	**33,506**	50,974
One to three months past due	**9,345**	12,849
More than three months past due	**1,071**	2,174
	43,922	65,997

22 BILLS PAYABLE

An ageing analysis of bills payable is as follows:

	Group	
	2009	2008
	$'000	*$'000*
Due within one month	**9,130**	11,256
Due after one month but within two months	**3,264**	13,878
Due after two months but within three months	**10,367**	12,675
	22,761	37,809

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

23 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	Group	
	2009	2008
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**1,457**	600
Balance of Profits Tax payable relating to prior years	**1,169**	19
	2,626	619
PRC corporate income tax payable	**1,897**	2,249
	4,523	2,868
Representing:		
Current tax payable	**4,552**	2,868
Current tax recoverable	**(29)**	—
	4,523	2,868

For the year ended 31st March, 2009
(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, 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
At 1st April, 2008	**18,125**	**(1,483)**	**(223)**	**408**	**16,827**
(Credited)/charged to consolidated income statement	**(682)**	**272**	**223**	**(408)**	**(595)**
At 31st March, 2009	**17,443**	**(1,211)**	**—**	**—**	**16,232**

(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 $3,272,000 (2008: $Nil) and deductible temporary differences of $15,410,000 (2008: $24,479,000) 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.

At 31st March, 2009, deferred tax liabilities not recognised in respect of temporary differences relating to the undistributed profits of subsidiaries amounted to $31,924,000 (2008: $Nil). Deferred tax liabilities of $1,596,000 (2008: $Nil) have not been recognised in respect of the tax payable upon the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

24 SHARE CAPITAL

	2009 $'000	2008 $'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 $'000	Exchange reserve $'000	Statutory surplus reserve $'000	Other reserves $'000	Retained profits $'000	Total $'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	—	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

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

25 RESERVES *(Continued)*

(a) Group *(Continued)*

	Share premium $'000	Exchange reserve $'000	Statutory surplus reserve $'000	Other reserves $'000	Retained profits $'000	Total $'000
At 1st April, 2008	**37,741**	**37,165**	**18,001**	**4,857**	**174,137**	**271,901**
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	4,347	—	—	—	4,347
Transfer	—	—	2,679	33	(2,712)	—
Profit for the year	—	—	—	—	23,159	23,159
Dividend approved in respect of the previous year	—	—	—	—	(2,225)	(2,225)
At 31st March, 2009	**37,741**	**41,512**	**20,680**	**4,890**	**192,359**	**297,182**

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)).

In accordance with 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 is 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.

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

25 RESERVES *(Continued)*

(b) **Company**

	Share premium $'000	Contributed surplus $'000	Retained profits/ (accumulated losses) $'000	Total $'000
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
At 1st April, 2008	**37,741**	**67,360**	**16,011**	**121,112**
Loss for the year (note 9)	**—**	**—**	**(488)**	**(488)**
Dividend approved in respect of the previous year	**—**	**—**	**(2,225)**	**(2,225)**
At 31st March, 2009	**37,741**	**67,360**	**13,298**	**118,399**

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

The excess value of the shares of the subsidiaries acquired pursuant to the Group reorganisation scheme in 1993 over the nominal value of the new shares of the Company issued in exchange is credited to the contributed surplus account. Under the Companies Act and the bye-laws of the Company, the contributed surplus is distributable to shareholders under certain circumstances.

The Company's reserves available for distribution to shareholders at 31st March, 2009 are $80,658,000 (2008: $83,371,000).

For the year ended 31st March, 2009
(Expressed in Hong Kong dollars)

25 RESERVES *(Continued)*

(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, 2009, the Group's strategy, which was unchanged from 2008, 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, 2009
(Expressed in Hong Kong dollars)

25 RESERVES *(Continued)*

(c) Capital management *(Continued)*

The net debt-to-capital ratios at 31st March, 2009 and 2008 were as follows:

	Note	Group **2009** ***$'000***	 2008 *$'000*
Current liabilities:			
Bank loans and overdrafts	19	**80,120**	82,063
Obligations under finance leases	20	**13,375**	15,431
Bills payable	22	**22,761**	37,809
		116,256	135,303
Non-current liabilities:			
Bank loans	19	**45,970**	86,641
Obligations under finance leases	20	**6,208**	19,651
Total debt		**168,434**	241,595
Less: Cash and cash equivalents	18	**47,692**	26,051
Net debt		**120,742**	215,544
Total equity		**319,435**	294,154
Net debt-to-capital ratio		**0.38**	0.73

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 $200,000,000 (2008: $289,000,000) granted to its 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 $137,262,000 (2008: $165,000,000).

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 30 to 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 9% (2008: 6%) and 26% (2008: 23%) 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

	2009					2008				
	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	89,348	89,348	89,348	–	–	105,897	105,897	105,897	–	–
Bills payable	22,761	22,840	22,840	–	–	37,809	38,061	38,061	–	–
Bank loans	126,025	129,952	82,507	32,274	15,171	159,132	167,779	78,505	59,649	29,625
Finance lease liabilities	19,583	19,962	13,638	3,875	2,449	35,082	36,967	16,526	13,866	6,575
Bank overdrafts	65	65	65	–	–	9,572	9,572	9,572	–	–
	257,782	262,167	208,398	36,149	17,620	347,492	358,276	248,561	73,515	36,200

Company

	2009					2008				
	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	361	361	361	–	–	164	164	164	–	–

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.

	2009 Effective interest rate %	**2009** $'000	2008 Effective interest rate %	2008 $'000
Fixed rate borrowings:				
Bank loans	**—**	**—**	7.90	43,476
Variable rate borrowings:				
Finance lease liabilities	**1.60**	**19,583**	3.58	35,082
Bank overdrafts	**6.25**	**65**	5.41	9,572
Bank loans	**3.77**	**126,025**	4.37	115,656
Bills payable	**2.77**	**22,761**	2.97	37,809
		168,434		198,119

(ii) Sensitivity analysis

At 31st March, 2009 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 $1,380,000 (2008: $1,625,000).

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 2008.

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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 entity 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

	2009	2008
	USD'000	*USD'000*
Cash and cash equivalents	**521**	520
Trade debtors, prepayments and deposits	**7,032**	5,818
Trade creditors and accrued charges	**(799)**	(1,052)
Bills payable	**(605)**	(1,785)
	6,149	3,501

(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 their fair value.

All other financial instruments are carried at amounts not materially different from their fair values as at 31st March, 2009 and 2008.

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(Expressed in Hong Kong dollars)

27 FINANCIAL INSTRUMENTS *(Continued)*

(f) Estimation of fair values

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.

28 COMMITMENTS

(a) Capital commitments outstanding at 31st March, 2009 not provided for in the financial statements were as follows:

	Group	
	2009	2008
	$'000	*$'000*
Contracted for	**733**	3,275

(b) At 31st March, 2009, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	Group	
	2009	2008
	$'000	*$'000*
Within one year	**2,373**	2,587
After one year but within five years	**10,716**	7,924
After five years	**11,380**	20,656
	24,469	31,167

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.

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 Schemes Ordinance and related regulations.

Employees of the Group in the PRC are covered by appropriate local retirement schemes pursuant to local labour rules and regulations. The Group's annual contributions to these schemes represent defined contributions, and the Group has no further obligation beyond the contributions made.

The Group's contributions to the MPF and various PRC schemes for the year of $7,718,000 (2008: $5,453,000) 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 $10,916,000 (2008: $17,260,000), under normal commercial terms. Amounts due from such companies at 31st March, 2009 amounted to $1,708,000 (2008: $5,201,000).

(ii) The Group acquired 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, 2009 are as follows:

	2009	2008
	$'000	*$'000*
Obligations under finance leases	**11,706**	16,981
Bank overdrafts	**—**	1,602
	11,706	18,583

Net book value of machines under the finance leases amounted to $20,132,000 as at 31st March, 2009 (2008: $23,130,000).

Total finance costs payable to the bank for the above facilities amounted to $570,000 for the year ended 31st March, 2009 (2008: $1,157,000).

For the year ended 31st March, 2009
(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 and the highest paid employees as disclosed in notes 7 and 8 respectively.

31 ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company at 31st March, 2009 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 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.

(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.

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33 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(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.

(d) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences would affect the profit or loss in future years.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the tax losses and deductible temporary differences can be utilised. Estimation of future taxable profits involves judgements made by management. Any increase or decrease in the recognition of deferred tax assets would affect the Group's profit or loss in future years.

(Expressed in Hong Kong dollars)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST MARCH, 2009

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, 2009 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 result in a restatement of the Group's or the Company's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
HKAS 1 (revised 2007), *Presentation of financial statements*	1st January, 2009
HKAS 23 (revised), *Borrowing costs*	1st January, 2009
HKFRS 8, *Operating segments*	1st January, 2009

(Expressed in Hong Kong dollars)

	2005	2006	2007	2008	**2009**
	$'000	*$'000*	*$'000*	*$'000*	***$'000***
OPERATING RESULTS					
Turnover	471,142	443,088	494,612	534,791	**597,028**
Profit/(loss) from operations	14,315	(5,370)	32,664	27,663	**39,300**
Finance costs	(7,973)	(15,879)	(18,582)	(16,658)	**(10,491)**
Profit/(loss) before taxation	6,342	(21,249)	14,082	11,005	**28,809**
Income tax	(2,370)	(1,864)	(7,895)	(3,402)	**(5,650)**
Profit/(loss) for the year	3,972	(23,113)	6,187	7,603	**23,159**

(Expressed in Hong Kong dollars)

	2005 *$'000*	2006 *$'000*	2007 *$'000*	2008 *$'000*	**2009** ***$'000***
ASSETS AND LIABILITIES					
Non-current assets	381,561	440,034	408,017	410,357	**384,477**
Net current assets/ (liabilities)	(93,144)	(171,025)	(9,842)	6,916	**3,368**
Total assets less current liabilities	288,417	269,009	398,175	417,273	**387,845**
Non-current liabilities	(27,069)	(25,169)	(135,623)	(123,119)	**(68,410)**
	261,348	243,840	262,552	294,154	**319,435**
Share capital	22,253	22,253	22,253	22,253	**22,253**
Reserves	239,095	221,587	240,299	271,901	**297,182**
	261,348	243,840	262,552	294,154	**319,435**

Note: The HKICPA issued a number of new or revised HKFRSs that were effective or available for early adoption for accounting periods beginning on or after 1st January, 2005. The Group adopted these new and revised HKFRSs since the year ended 31st March, 2006. Figures for the year ended 31st March, 2005 were restated to the extent that the new accounting standards were adopted retrospectively.