NEW ISLAND PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

新 洲 印 刷 集 團 有 限 公 司

(於百慕達註冊成立之有限公司)

(股份代號：377)

2009 / 2010 INTERIM REPORT

二零零九／二零一零年度中期業績報告

NEW ISLAND PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

INTERIM REPORT 2009/2010

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Ting Woo Shou, Kenneth, SBS, JP

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Sinn Wai Kin, Derek

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

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

KPMG

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
Wing Hang Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE

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

HONG KONG SHARE REGISTRARS

Union Registrars Limited
18/F
Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

STOCK CODE

377

WEBSITE

http://www.newisland.com/index.php

INTERIM RESULTS

The board of directors ("the Board") of New Island Printing Holdings Limited ("the Company") announces the unaudited consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 30th September, 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2009 — unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30th September,	
		2009	2008
	Note	***$'000***	*$'000*
Turnover	*3&4*	**296,292**	350,090
Cost of sales		**(230,356)**	(270,447)
		65,936	79,643
Other revenue		**5,457**	5,024
Other net loss		**(723)**	(647)
Selling and distribution costs		**(16,043)**	(20,839)
Administrative expenses		**(31,628)**	(35,436)
Profit from operations		**22,999**	27,745
Finance costs	*5(a)*	**(2,154)**	(5,725)
Profit before taxation	*5*	**20,845**	22,020
Income tax	*6*	**(7,634)**	(8,187)
Profit for the period		**13,211**	13,833
Attributable to:			
Equity shareholders of the Company		**12,594**	13,833
Minority interests		**617**	—
Profit for the period		**13,211**	13,833
Earnings per share			
— Basic	*8(a)*	**5.66 cents**	6.22 cents
— Diluted	*8(b)*	**5.66 cents**	6.22 cents

The notes on pages 8 to 16 form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30th September, 2009 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30th September,	
	2009	2008
	$'000	*$'000*
Profit for the period	**13,211**	13,833
Other comprehensive income for the period (after tax):		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**1,060**	—
Total comprehensive income for the period	**14,271**	13,833
Attributable to:		
Equity shareholders of the Company	**13,668**	13,833
Minority interests	**603**	—
Total comprehensive income for the period	**14,271**	13,833

The notes on pages 8 to 16 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET
At 30th September, 2009 — unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30th September, 2009**		At 31st March, 2009	
		$'000	***$'000***	*$'000*	*$'000*
NON-CURRENT ASSETS					
Fixed assets	*9*				
— Property, plant and equipment			**337,918**		354,162
— Interest in leasehold land held for own use under operating leases			**30,184**		30,315
Non-current prepayments			**2,426**		—
			370,528		384,477
CURRENT ASSETS					
Inventories	*10*	**55,191**		67,672	
Trade debtors, prepayments and deposits	*11*	**109,417**		97,120	
Current tax recoverable		**—**		29	
Pledged bank deposit	*12*	**1,011**		1,011	
Cash and cash equivalents		**31,658**		47,692	
		197,277		213,524	
CURRENT LIABILITIES					
Bank loans and overdrafts	*12*	**44,064**		80,120	
Obligations under finance leases	*13*	**7,606**		13,375	
Trade creditors and accrued charges	*14*	**118,821**		89,348	
Bills payable		**11,456**		22,761	
Current taxation payable		**13,191**		4,552	
		195,138		210,156	
NET CURRENT ASSETS			**2,139**		3,368
TOTAL ASSETS LESS CURRENT LIABILITIES			**372,667**		387,845

CONSOLIDATED BALANCE SHEET
At 30th September, 2009 — unaudited *(Continued)*
(Expressed in Hong Kong dollars)

	Note	**At 30th September, 2009**		At 31st March, 2009	
		$'000	***$'000***	*$'000*	*$'000*
NON-CURRENT LIABILITIES					
Bank loans	*12*	**30,130**		45,970	
Obligations under finance leases	*13*	**3,996**		6,208	
Deferred taxation		**11,511**		16,232	
			(45,637)		(68,410)
NET ASSETS			**327,030**		319,435
CAPITAL AND RESERVES					
Share capital	*15*		**22,253**		22,253
Reserves			**304,174**		297,182
Total equity attributable to equity shareholders of the Company			**326,427**		319,435
Minority interests			**603**		—
TOTAL EQUITY			**327,030**		319,435

The notes on pages 8 to 16 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2009 — unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company								
	Share capital *$'000*	**Share premium** *$'000*	**Statutory surplus reserve** *$'000*	**Exchange reserve** *$'000*	**Other reserves** *$'000*	**Retained profits** *$'000*	**Total** *$'000*	**Minority interests** *$'000*	**Total equity** *$'000*
Balance at 1st April, 2008	22,253	37,741	18,001	37,165	4,857	174,137	294,154	—	294,154
Changes in equity for the six months ended 30th September, 2008									
Dividends approved in respect of previous financial year *(note 7)*	—	—	—	—	—	(2,225)	(2,225)	—	(2,225)
Total comprehensive income for the period	—	—	—	—	—	13,833	13,833	—	13,833
Balance at 30th September, 2008 and 1st October, 2008	22,253	37,741	18,001	37,165	4,857	185,745	305,762	—	305,762
Changes in equity for the six months ended 31st March, 2009									
Transfer to statutory surplus reserve	—	—	2,679	—	33	(2,712)	—	—	—
Total comprehensive income for the period	—	—	—	4,347	—	9,326	13,673	—	13,673
Balance at 31st March, 2009	22,253	37,741	20,680	41,512	4,890	192,359	319,435	—	319,435
Balance at 1st April, 2009	22,253	37,741	20,680	41,512	4,890	192,359	319,435	—	319,435
Changes in equity for the six months ended 30th September, 2009									
Dividends approved in respect of previous financial year *(note 7)*	—	—	—	—	—	(6,676)	(6,676)	—	(6,676)
Total comprehensive income for the period	—	—	—	1,074	—	12,594	13,668	603	14,271
Balance at 30th September, 2009	22,253	37,741	20,680	42,586	4,890	198,277	326,427	603	327,030

The notes on pages 8 to 16 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30th September, 2009 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30th September,	
	2009	2008
	$'000	*$'000*
Cash generated from operations	**50,029**	44,317
Tax paid	**(3,658)**	(2,866)
Net cash generated from operating activities	**46,371**	41,451
Net cash used in investing activities	**(3,108)**	(8,092)
Net cash used in financing activities	**(59,296)**	(18,268)
Net (decrease)/increase in cash and cash equivalents	**(16,033)**	15,091
Cash and cash equivalents at 1st April	**47,627**	16,479
Effect of foreign exchange rates changes	**64**	—
Cash and cash equivalents at 30th September	**31,658**	31,570
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	**32,669**	35,417
Less: Pledged bank deposit	**(1,011)**	(1,009)
Cash and cash equivalents in the balance sheet	**31,658**	34,408
Bank overdrafts	**—**	(2,838)
Cash and cash equivalents in the cash flow statement	**31,658**	31,570

The notes on pages 8 to 16 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise stated)

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 11th December, 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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

The financial information relating to the financial year ended 31st March, 2009 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st March, 2009 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in the independent auditor's report dated 10th July, 2009.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— HKFRS 8, *Operating segments*

— HKAS 1 (revised 2007), *Presentation of financial statements*

— Improvements to HKFRSs (2008)

— Amendments to HKAS 27, *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate*

— Amendments to HKFRS 7, *Financial instruments: Disclosures — improving disclosures about financial instruments*

— HKAS 23 (revised 2007), *Borrowing costs*

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The amendments to HKAS 23 and Improvements to HKFRSs (2008) have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

— HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management and has resulted in additional reportable segments being identified and presented (see note 3). As it is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

— As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

— The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1st January, 2009 all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the subsidiary will not be reduced unless that carrying amount is assessed to be impaired as a result of the subsidiary declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. SEGMENT REPORTING

The Group manages its businesses by geographical areas. On first-time adoption of HKFRS 8, *Operating segments* and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reporting segments.

— Dongguan and Hong Kong: printing and manufacture of paper products

— Shanghai: printing and manufacture of paper products

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. The Group's most senior executive management uses the consolidated assets for the purpose of resources allocation. Segment assets information is not used by the Group's most senior executive management for the purpose of resources allocation and assessment of segment performance. In this regards, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

3. SEGMENT REPORTING (CONTINUED)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

(a) Reportable segment revenues, profit or loss for the period

	Dongguan and Hong Kong		**Shanghai**		**Total**	
For the six months ended	**2009**	2008	**2009**	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**206,979**	259,136	**89,313**	90,954	**296,292**	350,090
Inter-segment revenue	**10,679**	7,693	**3,544**	7,028	**14,223**	14,721
Reportable segment revenue	**217,658**	266,829	**92,857**	97,982	**310,515**	364,811
Reportable segment profit	**6,752**	7,328	**7,168**	7,911	**13,920**	15,239

(b) Reconciliations of reportable segment revenues and profit or loss

	Six months ended 30th September,	
	2009	2008
	$'000	*$'000*
Revenue		
Reportable segment revenue	**310,515**	364,811
Elimination of inter-segment revenue	**(14,223)**	(14,721)
Consolidated turnover	**296,292**	350,090
Profit		
Reportable segment profit	**13,920**	15,239
Elimination of inter-segment profits	**(709)**	(1,406)
Consolidated profit	**13,211**	13,833

4. TURNOVER

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

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

5. PROFIT BEFORE TAXATION

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

	Six months ended 30th September, 2009	2008
	$'000	*$'000*
(a) Finance costs:		
Finance charges on obligations under finance leases	**150**	525
Interest on bank loans and overdrafts	**2,004**	5,200
	2,154	5,725
(b) Other items:		
Cost of inventories sold	**230,356**	270,447
Depreciation		
— owned assets	**11,917**	13,629
— assets held under finance leases	**5,864**	5,809
Amortisation of land lease premium	**327**	406
Gain on disposal of fixed assets	**(191)**	(129)
Impairment loss on trade debtors (reversed)/recognised	**(581)**	3,500

6. INCOME TAX

	Six months ended 30th September, 2009	2008
	$'000	*$'000*
Current tax		
Provision for Hong Kong Profits Tax	**5,044**	9
Provision for PRC income tax	**4,099**	1,917
	9,143	1,926
Deferred tax		
Origination and reversal of temporary differences	**(1,509)**	6,261
	7,634	8,187

The provision for Hong Kong Profits Tax for the period was calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the period.

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

6. INCOME TAX (CONTINUED)

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 payable is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences would affect profit or loss in future years.

7. DIVIDENDS

(a) No interim dividend will be paid for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil). Final dividends, if any, will be proposed at the year end.

(b) Dividends attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30th September,	
	2009	2008
	$'000	*$'000*
Final dividend in respect of the financial year ended 31st March, 2009, approved and paid during the interim period of HK3.0 cents per share (2008: in respect of the financial year ended 31st March, 2008 – HK1.0 cent per share)	**6,676**	2,225

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company for the period of $12,594,000 (six months ended 30th September, 2008: $13,833,000) and on the number of 222,529,000 shares (six months ended 30th September, 2008: 222,529,000 shares) in issue during the period.

(b) Diluted earnings per share

There were no dilutive potential shares during the six months ended 30th September, 2009 and 2008, and diluted earnings per share is the same as basic earnings per share.

9. FIXED ASSETS

During the six months ended 30th September, 2009, the Group acquired items of fixed assets with cost totalling $1,071,000 (six months ended 30th September, 2008: $8,157,000).

10. INVENTORIES

During the six months ended 30th September, 2009, $4,884,000 (six months ended 30th September, 2008: $Nil) has been recognised as a reduction in the amount of inventories as an expense in profit or loss during the period, being the amount of a write-down of inventories to estimated net realisable value.

11. TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

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

	At 30th September, 2009 *$'000*	At 31st March, 2009 *$'000*
Current	**73,591**	71,407
Less than one month past due	**21,210**	3,380
One to three months past due	**6,616**	5,296
More than three months past due	**1,055**	7,966
	102,472	88,049

Trade debtors are due 30 to 90 days from the date of billing.

12. BANK LOANS AND OVERDRAFTS

At 30th September, 2009, bank loans and overdrafts were repayable as follows:

	At 30th September, 2009 *$'000*	At 31st March, 2009 *$'000*
Within one year or on demand	**44,064**	80,120
After one year but within two years	**10,420**	33,690
After two years but within five years	**19,710**	12,280
	30,130	45,970
	74,194	126,090

At 30th September, 2009, bank loans and overdrafts were secured as follows:

	At 30th September, 2009 *$'000*	At 31st March, 2009 *$'000*
Bank overdrafts		
— secured	**—**	—
— unsecured	**—**	65
	—	65
Bank loans		
— secured	**62,944**	87,706
— unsecured	**11,250**	38,319
	74,194	126,025
	74,194	126,090

12. BANK LOANS AND OVERDRAFTS (CONTINUED)

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 $140,494,000 at 30th September, 2009 (31st March, 2009: $139,207,000). Assets pledged under such facilities are as follows:

	At 30th September, 2009 *$'000*	At 31st March, 2009 *$'000*
Fixed assets	**99,997**	102,327
Trade debtors	**39,486**	35,869
Pledged bank deposit	**1,011**	1,011
	140,494	139,207

At 30th September, 2009, the above secured banking facilities amounted to $130,301,000 (31st March, 2009: $136,657,000). The facilities were utilised to the extent of $62,944,000 at 30th September, 2009 (31st March, 2009: $102,435,000), comprising bank loans and overdrafts of $62,944,000 (31st March, 2009: $87,706,000) and bills payable of $Nil (31st March, 2009: $14,729,000).

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet and profitability ratios, total equity and the amount of capital expenditure incurred, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30th September, 2009 and 31st March, 2009, none of the covenants relating to the drawn down facilities has been breached.

13. OBLIGATIONS UNDER FINANCE LEASES

At 30th September, 2009, the Group had obligations under finance leases payable as follows:

	At 30th September, 2009			At 31st March, 2009		
	Present value of the minimum lease payments *$'000*	**Interest expense relating to future periods** *$'000*	**Total minimum lease payments** *$'000*	Present value of the minimum lease payments *$'000*	Interest expense relating to future periods *$'000*	Total minimum lease payments *$'000*
Within one year	**7,606**	**111**	**7,717**	13,375	263	13,638
After one year but within two years	**3,212**	**41**	**3,253**	3,781	94	3,875
After two years but within five years	**784**	**2**	**786**	2,427	22	2,449
	3,996	**43**	**4,039**	6,208	116	6,324
	11,602	**154**	**11,756**	19,583	379	19,962

14. TRADE CREDITORS AND ACCRUED CHARGES

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

	At 30th September, 2009	At 31st March, 2009
	$'000	*$'000*
Current and less than one month past due	**48,044**	33,506
One to three months past due	**15,842**	9,345
More than three months past due	**3,497**	1,071
	67,383	43,922

15. SHARE CAPITAL

	No. of shares	**Amount**
	'000	*$'000*
Authorised shares of $0.1 each:		
At 31st March, 2009 and 30th September, 2009	380,000	38,000
Issued and fully paid shares of $0.1 each:		
At 31st March, 2009 and 30th September, 2009	222,529	22,253

16. COMMITMENTS

Capital commitments outstanding at 30th September, 2009, not provided for in the interim financial report:

	At 30th September, 2009	At 31st March, 2009
	$'000	*$'000*
Contracted for	**669**	733

17. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related companies

(i) During the period, the Group sold packaging products to companies which are controlled by a Non-Executive Director amounting to $8,225,000 (six months ended 30th September, 2008: $7,305,000), under normal commercial terms. Amounts due from such companies at 30th September, 2009 amounted to $6,024,000 (31st March, 2009: $1,708,000).

(ii) The Group acquired certain machines under finance leases and obtained overdraft facilities from a bank, a director who is also a close family member of a director of the Company. Outstanding amounts of the Group's liabilities to the bank as at 30th September, 2009 are as follows:

	At 30th September, 2009	At 31st March, 2009
	$'000	*$'000*
Obligations under finance leases	**8,965**	11,706

Net book value of machines under the finance leases amounted to $18,588,000 as at 30th September, 2009 (31st March, 2009: $20,132,000).

Total finance costs payable to the bank for the overdraft facilities amounted to $110,000 for the six months ended 30th September, 2009 (six months ended 30th September, 2008: $310,000).

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel remuneration

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

	Six months ended 30th September,	
	2009	2008
	$'000	*$'000*
Short-term employee benefits	**3,541**	3,602
Post-employment benefits	**100**	156
	3,641	3,758

18. FINANCIAL INSTRUMENTS

The Group is exposed to foreign currency risk on sales that are denominated in currencies other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States dollars ("USD"). The functional currency of the operations to which USD relates is Renminbi ("RMB").

In September 2009, the Group entered into a non-deliverable structured forward contract ("Contract") with a bank with a view to hedging the currency risk between certain forecast sales transactions denominated in USD and the associated costs in RMB. The total notional amount of the Contract is US$15,000,000 with fifteen equal monthly settlement amounts commencing January 2010. On each settlement day, if the exchange rate of USD to RMB is at or depreciates below the contracted rate, a fixed amount of US$6,000 will be receivable from the bank. If the exchange rate of USD to RMB appreciates above the contracted rate at the settlement date, an amount will be payable by the Group. The amount payable by the Group will be a function of the settlement amount and a difference between the contracted rate and the exchange rate of USD to RMB at the settlement date.

The Directors believe that should the exchange rate of USD to RMB be in a rising trend, the Group would benefit from the currency gains associated with the relevant USD trade receivables as against the associated costs in RMB and any such gains would be sufficient to cover any amount payable under the Contract.

As at 30 September 2009, the fair value of the Contract amounted to $580,000 (liability) (31 March 2009: $Nil), which was recognised under trade creditors and accrued charges in the balance sheet. The Contract does not qualify for hedge accounting and therefore it is accounted for at fair value through profit or loss.

In respect of other monetary assets and liabilities denominated in currencies other than the functional currency of the operations to which they relate, the Directors ensure that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalance.

Other aspects of the Group's financial risk management policies and practices are consistent with those disclosed in the Company's statutory financial statements for the year ended 31 March 2009.

19. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating Segments*, certain comparative figures have been adjusted to conform to the current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in the interim financial report for the six months ended 30th September, 2009. Further details of these developments are discussed in note 2.

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF NEW ISLAND PRINTING HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 2 to 16 which comprises the consolidated balance sheet of New Island Printing Holdings Limited as at 30th September, 2009 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and the explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30th September, 2009 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

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

11th December, 2009

BUSINESS REVIEW AND OUTLOOK

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

During the six months ended 30th September, 2009 ("Review Period"), the Group reported a turnover of approximately HK$296.3 million, as compared with approximately HK$350.1 million for the six months ended 30th September, 2008 ("Corresponding Period"). Profit before taxation and profit attributable to equity shareholders during the Review Period were approximately HK$20.8 million and approximately HK$12.6 million, as compared with approximately HK$22.0 million and approximately HK$13.8 million for the Corresponding Period.

Under the difficult market environment in the aftermath of the global financial meltdown, turnover fell by approximately 15.4% to approximately HK$296.3 million during the Review Period. The fall in turnover was mainly due to general weakness in customer demand on the back of the economic downturn across the globe. Gross profit margin, however, remained almost unchanged at approximately 22.3% during the Review Period. The margin improvement arising from the shift in product mix towards labour-intensive products was basically offset by the reduced savings from economy of scale because of the fall in turnover. Accordingly, gross profit fell by a similar percentage of approximately 17.2% to approximately HK$65.9 million during the Review Period.

In anticipation that the operating environment would continue to be difficult, the Group implemented stringent cost control measures. Selling and distribution costs during the Review Period decreased by approximately 23.0% to approximately to HK$16.0 million. On a percentage basis, the decrease in selling and distribution costs was larger than the fall in turnover, reflecting, among other things, effective cost management on top of the drop in freight rates. Under the cost control measures, administrative expenses also decreased by approximately 10.7% to approximately HK$31.6 million during the Review Period, in which there were a reversal of approximately HK$0.6 million, as compared to a recognition of HK$3.5 million in the Corresponding Period, in impairment loss on trade debtors as well as a write-down of approximately HK$4.9 million in ageing inventories.

Meanwhile, working capital funding requirements were cut down substantially as the Group tightened inventory control and credit control under the difficult operating environment. Coupled with the continued decline in bank borrowings, finance costs decreased by approximately 62.4% to approximately HK$2.2 million during the Review Period.

As a result of the combined effects of the foregoing, profit before taxation during the Review Period fell by approximately 5.3% to approximately HK$20.8 million. With income tax decreasing broadly in tandem with the fall in profit before taxation and after deducting minority interests of an overseas subsidiary, profit attributable to equity shareholders fell by approximately 9.0% to approximately HK$12.6 million during the Review Period.

The outlook of the Group for the second half of the year ending 31st March, 2010 continues to be challenging. While the global economy appears to have stabilised and has been showing positive signs and evidence of recovering, the recovery is generally expected to be anemic and moderate. The Group will therefore continue to adopt efficacious cost management strategies and maintain tight inventory control and credit control to cope with challenges and enhance competitiveness under the difficult operating environment.

FINANCIAL AND CAPITAL RESOURCES

During the Review Period, the Group expended approximately HK$3.5 million cash on fixed asset investments. These investments and the daily operating activities of the Group were funded by retained earnings and bank borrowings and by the cash flow generated from the Group's operations.

As at 30th September, 2009, the Group had bank borrowings, which were either denominated in Hong Kong dollars or Chinese Renminbi, totaling approximately HK$97.3 million (31st March, 2009: HK$168.4 million). Of these borrowings, approximately HK$62.9 million (31st March, 2009: HK$102.4 million) were secured by fixed assets, trade debtors and bank deposits with an aggregate carrying value in the Group's balance sheet as at 30th September, 2009 of approximately HK$140.5 million (31st March, 2009 HK$139.2 million). The net debt-to-capital ratio (defined as total interest-bearing borrowings less cash and cash equivalents divided by total equity) of the Group as at 30th September, 2009 was approximately 20.0% (31st March, 2009: 37.8%).

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

STAFF

As at 30th September, 2009, the Group had a total staff of 2,371 (31st March, 2009: 2,826) of which 2,275 (31st March, 2009: 2,743) were employed in the PRC for the Group's manufacturing and distribution businesses.

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

INTERIM DIVIDEND

The Board resolved not to pay an interim dividend for the six months ended 30th September, 2009 (2008: Nil).

CORPORATE GOVERNANCE

The Company has complied with the code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six months period ended 30th September, 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The audit committee comprises three Independent Non-Executive Directors and a Non-Executive Director and reports directly to the Board. The audit committee meets regularly with the Group's senior management and the Company's external auditors to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company. The audit committee has reviewed the interim results of the Group for the six months ended 30th September, 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 30th September, 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 at 30th September, 2009**
Madam So Chau Yim Ping, BBS, JP	19,800,000	132,000,000	151,800,000	68.22%
Mrs. Cheong So Ka Wai, Patsy	3,300,000	—	3,300,000	1.48%
Mrs. Fung So Ka Wah, Karen	3,300,000	—	3,300,000	1.48%
Mr. So Wah Sum, Conrad	3,300,000	—	3,300,000	1.48%
Mr. Ting Woo Shou, Kenneth, SBS, JP	105,000	—	105,000	0.05%

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

Notes:

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

2. *Ka Chau Enterprises (B.V.I.) Limited ("Ka Chau") beneficially owned 132,000,000 shares as at 30th September, 2009. Madam So Chau Yim Ping, BBS, JP had a 60 per cent. interest in Ka Chau, and each of Mrs. Cheong So Ka Wai, Patsy and Mrs. Fung So Ka Wah, Karen had a 20 per cent. interest in Ka Chau. Accordingly, Madam So Chau Yim Ping, BBS, JP was deemed to be interested in the 132,000,000 shares owned by Ka Chau.*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(b) Interests in non-voting deferred shares of subsidiaries

	New Island Printing Company Limited		Sonic Manufacturing Company Limited	
Name of Directors	**Non-voting deferred shares of HK$100 each**	**% of total non-voting deferred shares as at 30th September, 2009**	**Non-voting deferred shares of HK$100 each**	**% of total non-voting deferred shares as at 30th September, 2009**
Madam So Chau Yim Ping, BBS, JP	6,700	67%	500	50%
Mrs. Cheong So Ka Wai, Patsy	1,000	10%	500	50%
Mrs. Fung So Ka Wah, Karen	1,000	10%	—	—
Mr. So Wah Sum, Conrad	1,000	10%	—	—
Madam So Chau Yim Ping, BBS, JP and Mrs. Cheong So Ka Wai, Patsy	150	1.5%	—	—
	9,850	98.5%	1,000	100%

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

As at 30th September, 2009, apart from the foregoing, none of the Directors and chief executive of the Company or any of their spouses or children under the age of 18 had interests or short positions in the shares, underlying shares or debentures of the Company or subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) on 28th September, 2007. The purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to Executive or Non-Executive Directors including Independent Non-Executive Directors or any employees (whether full-time or part-time) of each member of the Group (the “Participants”) and for such other purpose as the Board may approve from time to time. Details of the Scheme are set out in the 2009 annual report of the Company. The Scheme shall remain valid and effective until 27th September, 2017.

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

SUBSTANTIAL SHAREHOLDERS

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

ARRANGEMENT TO PURCHASE SHARES

Apart from the Scheme as disclosed above, at no time during the six months ended 30th September, 2009 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or the chief executive of the Company, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the six months ended 30th September, 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares.

COMPOSITION OF BOARD

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

By Order of the Board
Fung So Ka Wah, Karen
Chief Executive Officer

Hong Kong, 11th December, 2009