

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Composite Document or the Offer contained herein, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in New Island Printing Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, a licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

PLUS WEALTHY LIMITED

(incorporated in the British Virgin Islands with limited liability)



NEW ISLAND PRINTING HOLDINGS LIMITED

新洲印刷集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 377)

**COMPOSITE OFFER AND RESPONSE DOCUMENT
RELATING TO THE
MANDATORY UNCONDITIONAL CASH OFFER BY**



KINGSTON SECURITIES LIMITED

**ON BEHALF OF PLUS WEALTHY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
NEW ISLAND PRINTING HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
PLUS WEALTHY LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to Plus Wealthy Limited



KINGSTON CORPORATE FINANCE LIMITED

Independent Financial Adviser to the Independent Board Committee



Mitsubishi UFJ Securities (HK) Capital, Limited

MUFG

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Kingston Securities, containing, among other things, details of the terms of the Offer is set out on pages 7 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 18 of this Composite Document.

A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders on the Offer is set out on pages 19 and 20 of this Composite Document. A letter from Mitsubishi UFJ to the Independent Board Committee, containing its advice in respect of the Offer is set out on pages 21 to 39 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out on pages I-1 to I-6 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong by no later than 4:00 p.m. on Thursday, 21st October 2010 (or such later time and/or date as the Offeror may decide and announce in accordance with the Takeovers Code).

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders" of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Each Overseas Shareholder is advised to seek professional advice on deciding whether to accept the Offer.

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EXPECTED TIMETABLE

2010

(Note 1)

Despatch date of this Composite Document and
the Form of Acceptance and
commencement of the Offer Thursday, 30th September

Latest time and date for acceptance
of the Offer *(Note 2)* 4:00 p.m. on Thursday, 21st October

Closing Date *(Notes 2 and 3)* on Thursday, 21st October

Announcement of the results of the Offer to be posted
on the Stock Exchange website at or before 7:00 p.m.
on Thursday, 21st October

Latest date for posting of remittances for
the amounts due in respect of valid acceptances
received under the Offer *(Note 4)* on Friday, 29th October

Notes:

1. All times and dates refer to Hong Kong local times and dates.
2. The Offer, which is unconditional, will be closed on Thursday, 21st October 2010 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be issued through the Stock Exchange website by 7:00 p.m. on Thursday, 21st October 2010 stating whether the Offer has been revised or extended or has expired. In the event that the Offeror decides to extend the Offer, at least 14 calendar days' notice in writing will be given to those Independent Shareholders who have not accepted the Offer before the extended Offer is closed and an announcement in this regard shall be published. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn except as permitted under the Takeovers Code.
3. If there is (i) a tropical cyclone warning signal number 8 or above, or (ii) a "black" rainstorm warning signal in force between 9:00 a.m. and 4:00 p.m. on the Closing Date, the time and date of the close of the Offer will be adjourned to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve.
4. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares under the Offer will be posted to the accepting Independent Shareholders by ordinary post at their own risk as soon as possible but in any event within 10 days of the date of receipt by the Registrar of the duly completed Form of Acceptance from the Independent Shareholders accepting the Offer.
5. The Stock Exchange has stated that if, upon close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“associate(s)”	has the meaning ascribed to it in the Listing Rules, unless otherwise specified
“Bingo Wealth”	Bingo Wealth Holdings Limited, a company incorporated in BVI with limited liability which is wholly and beneficially owned by Mr. Suen
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	Thursday, 21st October 2010, being the closing date of the Offer (or such other date as revised or extended by the Offeror in accordance with the Takeovers Code)
“Companies Act”	The Companies Act 1981 of Bermuda (as amended)
“Company”	New Island Printing Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued Shares are listed on the Stock Exchange (stock code: 377)
“Completion”	completion of the sale and purchase of the Sale Shares under the Share Purchase Agreement in accordance with its terms

DEFINITIONS

“Composite Document”	this composite offer and response document jointly issued by and on behalf of the Offeror and the Company to all Shareholders in accordance with the Takeovers Code containing, among other matters, terms and conditions of the Offer, the advice of Mitsubishi UFJ to the Independent Board Committee in respect of the Offer and the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Offer
“Director(s)”	director(s) of the Company
“Encumbrance”	any mortgage, charge, pledge, lien, hypothecation or other encumbrance, priority or security interest, deferred purchase or title retention arrangement over or in any property, assets or rights of whatsoever nature and includes any agreement for any of them
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Form of Acceptance”	the accompanying form of acceptance in respect of the Offer
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board comprising two independent non-executive Directors, namely Mr. Hui Yin Fat, O.B.E. JP, and Mr. Wong Wang Fat, Andrew, O.B.E. (Hon.), JP, to give recommendation to the Independent Shareholders in relation to the Offer
“Independent Financial Adviser” or “Mitsubishi UFJ”	Mitsubishi UFJ Securities (HK) Capital, Limited, the independent financial adviser to the Independent Board Committee in relation to the Offer and a registered institution authorised to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

DEFINITIONS

“Independent Shareholder(s)”	Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the joint announcement dated 26th August 2010 issued by the Company and the Offeror relating to, inter alia, the Offer
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO
“Last Trading Day”	19th August 2010, being the last trading day immediately prior to the suspension of trading in the Shares on the Stock Exchange on 20th August 2010 pending the release of the Joint Announcement
“Latest Practicable Date”	28th September 2010, being the latest practicable date for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Suen”	Mr. Suen Cho Hung, Paul, the sole ultimate beneficial owner and sole director of the Offeror
“Offer”	the mandatory unconditional cash offer by Kingston Securities on behalf of the Offeror to acquire all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it in accordance with the Takeovers Code
“Offer Period”	the period from the date of the Joint Announcement until the Closing Date
“Offer Price”	the cash amount of HK\$2.15 payable by the Offeror for each Share accepted under the Offer
“Offer Share(s)”	existing Share(s) not already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Plus Wealthy Limited, a company incorporated in the BVI with limited liability which is wholly owned by Bingo Wealth

DEFINITIONS

“Overseas Shareholder”	a Shareholder who is not a resident in Hong Kong or who has a registered address in jurisdictions outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Registrar”	Union Registrars Limited, the branch registrar of the Company in Hong Kong at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
“Relevant Period”	the period between 26th February 2010 (being the date falling six months prior to 26th August 2010, the date of the Joint Announcement) and the Latest Practicable Date (both dates inclusive)
“Sale Shares”	an aggregate of 165,000,000 Shares agreed to be acquired by the Offeror pursuant to the Share Purchase Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Purchase Agreement”	the conditional sale and purchase agreement dated 20th August 2010 entered into between the Vendors, the Offeror and Mr. Suen in relation to the sale by the Vendors and the purchase by the Offeror of the Sale Shares
“Share(s)”	the ordinary shares in the par value of HK\$0.10 each in the share capital of the Company and all other (if any) stock or shares from time to time and for the time being ranking pari passu therewith
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Vendors”	Ka Chau Enterprises (B.V.I.) Limited, Madam So Chau Yim Ping, BBS, JP, Mrs. Fung So Ka Wah, Karen, Mrs. Cheong So Ka Wai, Patsy, Mr. So Wah Sum, Conrad and Madam Shea Chau Hung Ping, the vendors of the Sale Shares under the Share Purchase Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM KINGSTON SECURITIES



KINGSTON SECURITIES LIMITED

Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street, Central, Hong Kong

30th September 2010

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
KINGSTON SECURITIES LIMITED
ON BEHALF OF PLUS WEALTHY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
NEW ISLAND PRINTING HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
PLUS WEALTHY LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 20th August 2010, the Offeror, the Vendors and Mr. Suen entered into the Share Purchase Agreement whereby the Offeror has conditionally agreed to acquire and the Vendors have conditionally agreed to sell an aggregate of 165,000,000 Shares, representing approximately 74.148% of the entire issued share capital of the Company as at the Latest Practicable Date. Completion took place on 10th September 2010.

Under Rule 26.1 of the Takeovers Code, immediately following the Completion, the Offeror is required to make a mandatory unconditional cash offer for all issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

This letter sets out, amongst other things, details of the terms of the Offer, information on the Offeror and the intention of the Offeror regarding the Group. Further details of the terms of the Offer and the procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance.

MANDATORY UNCONDITIONAL CASH OFFER

The Offer

Kingston Securities hereby makes the Offer on behalf of the Offeror for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it in compliance with the Takeovers Code at the following Offer Price:

For each Offer Share HK\$2.15 in cash

LETTER FROM KINGSTON SECURITIES

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$2.21 per Share (on 14th September 2010) and HK\$0.74 per Share (on 7th May 2010, 10th May 2010 and 8th June 2010) respectively.

Consideration for the Offer Shares

Assuming that all Independent Shareholders accept the Offer in full, the cash consideration payable by the Offeror for all the Offer Shares will amount to HK\$123,687,350 based on the Offer Price.

Financial resources available for the Offer

The financial resources of the Offeror to fund the Offer, amounting to an aggregate of HK\$124,000,000 are financed by Kingston Securities by way of standby facilities.

The Offeror confirms that payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the facilities referred to above will not depend to any significant extent on the business of the Company.

Kingston Corporate Finance Limited has been appointed as the financial adviser to the Offeror in respect of the Offer and is satisfied that sufficient financial resources are available to the Offeror to meet full acceptance of the Offer.

SHAREHOLDING OF THE COMPANY

The authorised share capital of the Company at the Latest Practicable Date was HK\$38,000,000.

Set out below is a table showing the shareholding structure of the Company (i) immediately before Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

	Immediately before Completion		Immediately after Completion and as at the Latest Practicable Date	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Vendors	165,000,000	74.148	–	–
Mr. Ting Woo Shou, Kenneth, <i>SBS, JP</i>	205,000	0.092	205,000	0.092
Offeror and parties acting in concert with it	–	–	165,000,000	74.148
Other public shareholders	57,324,000	25.760	57,324,000	25.760
Total	<u>222,529,000</u>	<u>100.000</u>	<u>222,529,000</u>	<u>100.000</u>

LETTER FROM KINGSTON SECURITIES

No new Shares were issued since 31st March 2010 (being the date on which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date.

All existing issued Shares rank *pari passu* in all respect including all rights as to dividends, voting and interest in capital.

As at the Latest Practicable Date, the Company does not have any outstanding options, warrants, derivatives or securities convertible into Shares.

Compulsory acquisition

The Offeror does not intend to apply any right which may be available to it under the Companies Act to acquire compulsorily any Shares outstanding after the close of the Offer.

Dealing and interest in the Company's securities

Save for the entering into of the Share Purchase Agreement and the taking up of the Sale Shares upon Completion, none of the Offeror nor parties acting in concert with it has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible into Shares during the Relevant Period. As at the Latest Practicable Date, the Offeror and parties acting in concert with it had not entered into any arrangements or contracts in relation to any outstanding derivatives in respect of securities in the Company nor have any of them borrowed or lent any Shares, or convertible securities, warrants, options and derivatives in respect of Shares.

Effects of accepting the Offer

By accepting the Offer, Independent Shareholders will sell their Shares to the Offeror free from all Encumbrances and together with all rights attaching thereto, including the right to receive all future dividends or distributions declared, made or paid on the Shares by reference to a record date on or after the date on which the Offer is made, that is, the date of this Composite Document.

Stamp duty

Seller's ad valorem stamp duty payable by the Shareholders who accept the Offer and calculated at a rate of 0.1% of (i) the market value of the Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer.

The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

LETTER FROM KINGSTON SECURITIES

Payment

Payment in cash in respect of acceptance of the Offer, net of the stamp duty, will be made as soon as practicable and in any event within 10 days of the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Shares in respect of such acceptance are received by or for the Offeror.

Overseas Shareholders

The availability of the Offer to the Independent Shareholders whose addresses as shown in the register of members of the Company in Hong Kong to be outside Hong Kong may be subject to, or limited by, the laws or regulations of their respective jurisdictions. Independent Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

The attention of the Independent Shareholders not being a resident in Hong Kong or with a registered address as shown in the register of members of the Company in Hong Kong to be outside Hong Kong is drawn to the section headed "Overseas Shareholders" in Appendix I to this Composite Document.

Comparisons of value

The Offer Price represents:

- (a) a discount of approximately 2.27% to the closing price of HK\$2.200 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 43.33% over the closing price of HK\$1.500 per Share on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 47.66% over the average closing price of HK\$1.456 per Share on the Stock Exchange over the last five consecutive trading days up to and including the Last Trading Day;
- (d) a premium of approximately 49.93% over the average closing price of HK\$1.434 per Share on the Stock Exchange over the last 10 consecutive trading days up to and including the Last Trading Day;
- (e) a premium of approximately 50.88% over the average closing price of approximately HK\$1.425 per Share on the Stock Exchange over the last 30 consecutive trading days up to and including the Last Trading Day; and
- (f) a premium of approximately 39.76% to the audited consolidated total equity attributable to equity shareholders of the Company of approximately HK\$1.538 per Share as at 31st March 2010.

The Offer is unconditional and therefore is not conditional upon any minimum level of acceptances being received nor subject to any other conditions.

LETTER FROM KINGSTON SECURITIES

Please refer to the section headed “Market prices” in Appendix IV to this Composite Document for further information on the market prices of the Shares.

INFORMATION ABOUT THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI on 8th July 2010 with limited liability. The Offeror is wholly and beneficially owned by Bingo Wealth, which is in turn wholly and beneficially owned by Mr. Suen. Mr. Suen is the sole director of each of the Offeror and Bingo Wealth. Before the date of the Share Purchase Agreement, neither the Offeror nor Bingo Wealth has conducted any business since its incorporation.

Mr. Suen, aged 49, holds a Master of Business Administration degree from the University of South Australia. Mr. Suen has extensive experience in managing metal, minerals and raw materials, energy and property business ventures as well as in strategic planning and corporate management of business enterprises in Hong Kong and the PRC. Mr. Suen is also the chairman and executive director of Beijing Yu Sheng Tang Pharmaceutical Group Limited (stock code: 1141) and BEP International Holdings Limited (stock code: 2326), two listed companies in Hong Kong. He was also an executive director and the chairman of China Yunnan Tin Minerals Group Company Limited (stock code: 263), a listed company in Hong Kong, until 15th September 2009.

As at the Latest Practicable Date, the Offeror was interested in 165,000,000 Shares. Such Shares were acquired by the Offeror pursuant to the Share Purchase Agreement. Save and except the abovementioned 165,000,000 Shares, during the Relevant Period, the Offeror and its sole director did not hold any Shares, or convertible securities, warrants, options and derivatives in respect of Shares nor have dealt for value in any Shares, or convertible securities, warrants, options and derivatives in respect of Shares.

Save for the Offeror’s interests in the issued share capital of the Company as disclosed above, none of the parties acting in connect with it held any Shares, or convertible securities, warrants, options and derivatives in respect of Shares.

OFFEROR’S INTENTION IN RESPECT OF THE GROUP

Business of the Group

It is the intention of the Offeror that the Group will continue its existing principal activities and the Offeror does not intend to introduce any major changes to the existing operations and business of the Company after the close of the Offer. The Offeror will regularly review the operations and business activities of the Group to formulate a suitable business strategy for the Group and will explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth. The Offeror has no intention to discontinue the employment of the employees of the Group (save for a change in the composition of the Board as disclosed in the paragraph headed “Change of board composition of the Company” below) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. The Offeror has no plan on any injection of any assets or businesses into the Company as at the Latest Practicable Date.

LETTER FROM KINGSTON SECURITIES

Change of board composition of the Company

Pursuant to the terms of the Share Purchase Agreement, all existing executive Directors, namely 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, will resign as Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code (that is, following the close of the Offer), but will, after such resignation, remain employed by the Group as consultants.

Mr. Ting Woo Shou, Kenneth, SBS, JP, a non-executive Director, and Mr. Hui Yin Fat, O.B.E., JP, an independent non-executive Director, will resign as Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code (that is, following the close of the Offer). A replacement independent non-executive Director will be identified to meet the minimum required number of independent non-executive directors under the Listing Rules.

The continued employment of the existing executive Directors is intended to ensure that there will be no material disruption to the existing business after the change in control of the Group. To ensure the continuing services by the existing executive Directors for the Group, each of them will enter into a service contract with the Company in relation to his/her appointment as a consultant of the Company on the earliest date on which their respective resignations as directors may take effect under the Takeovers Code (that is, following the close of the Offer) for a term of two years commencing from that date and on terms (including remuneration) which are substantially the same as his/her current employment terms with the Company as executive Directors. Although they will remain as employees of the Group and their respective terms of employment will be substantially unchanged, as they will no longer be Directors after their resignations becoming effective, it is appropriate for the Group to enter into new service contracts with them in relation to their employment as consultants of the Company.

The Offeror intends to nominate Mr. Lo Ming Chi, Charles and Ms. Chan Yuk Yee as executive Directors and such appointments are expected to take effect immediately after the despatch of this Composite Document and will be in full compliance with relevant regulations and Rule 26.4 of the Takeovers Code.

LETTER FROM KINGSTON SECURITIES

Set out below are the biographical details of the proposed Directors nominated by the Offeror:

Mr. Lo Ming Chi, Charles, JP (“Mr. Lo”), aged 60, is a certified practicing accountant of the CPA Australia and is a fellow of the Financial Services Institute of Australasia. Mr. Lo has extensive experience in financial and investment services in Australia, Hong Kong and other Asian countries. Mr. Lo is the chief executive officer of Sewco International Holdings Limited (stock code: 209), an independent non-executive director of CASH Financial Services Group Limited (stock code: 510), New Environmental Energy Holdings Limited (stock code: 3989) and Tak Sing Alliance Holdings Limited (stock code: 126), all being listed companies in Hong Kong. Mr. Lo was an executive director, the deputy chairman and the chief executive officer of Beijing Yu Sheng Tang Pharmaceutical Group Limited (stock code: 1141) during the period from December 2000 to November 2009 and was an executive director of Sun Innovation Holdings Limited (stock code: 547) during the period from July 2009 to March 2010, he was also an executive director of New Century Group Hong Kong Limited (stock code: 234) during the period from March 1999 to February 2009 and was an independent non-executive director of China Sonangol Resources Enterprise Limited (stock code: 1229) during the period from August 1998 to April 2008. All are listed companies in Hong Kong.

Ms. Chan Yuk Yee (“Ms. Chan”), aged 42, holds a Master of Business Law degree from Monash University in Australia and is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Chan has over 10 years of experience in corporate administration and company secretarial practice. Ms. Chan is also an executive director and the company secretary of Sewco International Holdings Limited (stock code: 209) and the company secretary of Beijing Yu Sheng Tang Pharmaceutical Group Limited (stock code: 1141), both are listed companies in Hong Kong.

As at the Latest Practicable Date, none of Mr. Lo and Ms. Chan has any interest in the securities of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, each of Mr. Lo and Ms. Chan has not held any other major appointment and directorship in other listed companies during the past three years. Save for Mr. Lo’s role in Sewco International Holdings Limited (of which Mr. Suen is a controlling shareholder) and Ms. Chan’s roles in Beijing Yu Sheng Tang Pharmaceutical Group Limited (of which Mr. Suen is an executive director, chairman and a substantial shareholder) and Sewco International Holdings Limited (of which Mr. Suen is a controlling shareholder) as disclosed above, each of Mr. Lo and Ms. Chan did not have any relationship with any Director, senior management, or substantial or controlling Shareholders as at the Latest Practicable Date.

Save as disclosed above, there are no further information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules and there is no other matter relating to the proposed appointment of each of Mr. Lo and Ms. Chan that needs to be brought to the attention of the Shareholders.

An announcement will be made by the Company in respect of the change of the composition of the Board in compliance with the Listing Rules.

LETTER FROM KINGSTON SECURITIES

Maintaining the listing status of the Company

The Offeror intends to maintain the listing status of the Shares on the Stock Exchange after the close of the Offer. The Company, the Offeror and the proposed new Directors will undertake to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that sufficient public float exists in the Shares.

The Stock Exchange has stated that if, upon the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.

FURTHER TERMS OF THE OFFER

Further terms and conditions of the Offer, including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to this Composite Document and in the Form of Acceptance.

GENERAL

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

The Independent Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from Mitsubishi UFJ" set out in this Composite Document and to consult their professional advisers as they see fit. Your attention is drawn to the additional information set out in the Appendices to this Composite Document, which form part of this Composite Document.

Yours faithfully,
For and on behalf of
Kingston Securities Limited
Nicholas Chu
Director



NEW ISLAND PRINTING HOLDINGS LIMITED

新洲印刷集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 377)

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Mr. Ting Woo Shou, Kenneth, *SBS, JP*

Head office:

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

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*

30th September 2010

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
KINGSTON SECURITIES LIMITED ON BEHALF OF
PLUS WEALTHY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
NEW ISLAND PRINTING HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
PLUS WEALTHY LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement by which the Offeror and the Company jointly announced that on 20th August 2010, the Offeror, Mr. Suen and the Vendors entered into the Share Purchase Agreement. Pursuant to the Share Purchase Agreement, the Offeror has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares at an aggregate consideration of HK\$354,750,000, or HK\$2.15 per Sale Share.

* *For identification purpose only*

LETTER FROM THE BOARD

On 10th September 2010, the Offeror and the Company jointly announced that Completion took place on 10th September 2010 and that immediately following Completion, the Offeror and parties acting in concert with it owned 165,000,000 Shares, representing approximately 74.148% of the entire issued share capital of the Company as at the Latest Practicable Date. In accordance with Rule 26.1 of the Takeovers Code, the Offeror is required to make the Offer to the Independent Shareholders for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Details of the Offer are set out in the “Letter from Kingston Securities” and Appendix I to this Composite Document and the Form of Acceptance.

The primary purpose of this letter is to provide you with information relating to, among other matters, the Group and the Offer.

INDEPENDENT BOARD COMMITTEE

In accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee comprising two independent non-executive Directors, namely Mr. Hui Yin Fat, O.B.E. JP and Mr. Wong Wang Fat, Andrew, O.B.E. (Hon.), JP, has been established to advise the Independent Shareholders in respect of the Offer. Mr. She Chiu Shun, Ernest, the remaining independent non-executive Director, is a relative of Madam Shea Chau Hung Ping, one of the Vendors, is not considered to be independent under the Takeovers Code to sit on the Independent Board Committee, and has not been appointed as member of the Independent Board Committee. Mr. Ting Woo Shou, Kenneth, SBS, JP, a non-executive Director, has interests in certain companies which have been doing business with the Group for over ten years. Mr. Ting Woo Shou, Kenneth, SBS, JP, considers that there is conflict of interest if he sits on the Independent Board Committee and he was not appointed as a member of the Independent Board Committee.

Mitsubishi UFJ has been approved by the Independent Board Committee to act as the independent financial adviser to advise the Independent Board Committee as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to acceptance in respect of the Offer. The full text of the letter of advice from Mitsubishi UFJ addressed to the Independent Board Committee is set out in this Composite Document.

THE OFFER

As mentioned in the “Letter from Kingston Securities” on pages 7 to 14 of this Composite Document, Kingston Securities, on behalf of the Offeror, is making the Offer on the following basis:

For each Offer Share. HK\$2.15 in cash

As at the Latest Practicable Date, the Company had 222,529,000 Shares in issue and there were no outstanding options, warrants or securities convertible into Shares.

The paragraph headed “Market Prices” under the section headed “General Information” in Appendix IV to this Composite Document contains further information on the market price regarding the Shares on various dates during the Relevant Period.

LETTER FROM THE BOARD

GENERAL

Information on the Offeror and its intention regarding the Company

Your attention is drawn to the paragraph headed “Information about the Offeror” and “Offeror’s intention in respect of the Group” in the “Letter from Kingston Securities” set out in this Composite Document.

The Board notes that it is the intention of the Offeror that the Group will continue the existing principal activities and the Offeror does not intend to introduce any major changes to the existing operations and business of the Company immediately after the Completion and the Offer. The Board also notes the intention of the Offeror in respect of the Group as disclosed in the “Letter from Kingston Securities” on pages 7 to 14 of this Composite Document.

Information on the Group

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.

Your attention is drawn to the financial information on the Group set out in Appendix II to this Composite Document, and the valuation report set out in Appendix III to this Composite Document.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- **a false market exists or may exist in the trading of the Shares; or**
- **that there are insufficient Shares in public hands to maintain an orderly market,**

it will consider exercising its discretion to suspend dealings in the Shares.

It is stated in the “Letter from Kingston Securities” on pages 7 to 14 of this Composite Document that the Offeror intends to maintain the listing status of the Shares on the Stock Exchange after the close of the Offer and that the Offeror does not intend to apply any right which may be available to it under the Companies Act to acquire compulsorily any Shares outstanding after the close of the Offer. The Offeror, the Company and the proposed new Directors will undertake to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that sufficient public float exists in the Shares.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the “Letter from the Independent Board Committee” which sets out its recommendation to the Independent Shareholders in respect of the Offer, as set out on pages 19 to 20 of this Composite Document. Your attention is also drawn to the letter of advice from the Independent Financial Adviser which contains, among other things, their advice to the Independent Board Committee in relation to the Offer, which is set out on pages 21 to 39 of this Composite Document.

ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from Kingston Securities” as set out on pages 7 to 14 of this Composite Document which contains further details of the Offer and the information set out in the appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,
For and on behalf of
New Island Printing Holdings Limited
Mrs. Fung So Ka Wah, Karen
Executive Director



NEW ISLAND PRINTING HOLDINGS LIMITED

新洲印刷集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 377)

30th September 2010

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
KINGSTON SECURITIES LIMITED ON BEHALF OF
PLUS WEALTHY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
NEW ISLAND PRINTING HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
PLUS WEALTHY LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite offer and response document dated 30th September 2010 jointly issued by the Offeror and the Company to all Shareholders (the “Composite Document”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires. We have been appointed by the Board as members of the Independent Board Committee to make a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptances of the Offer. Mitsubishi UFJ has been appointed to advise us in respect of the Offer.

Having taken into account the terms of the Offer and the advice of Mitsubishi UFJ, in particular the factors, reasons and recommendations as set out in its letter in the Composite Document, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

As advised by Mitsubishi UFJ, for Independent Shareholders who wish to retain some or all of their Shares as they are attracted by and confident in the prospects and/or the management of the Group after the close of the Offer or otherwise, they should carefully consider the intention of the Offeror regarding the Group, details of which are set out in the Letter from Kingston Securities. In any event, Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

We wish to draw your attention to: (i) the “Letter from the Board” set out in the Composite Document; (ii) “Letter from Kingston Securities” set out in the Composite Document; (iii) “Letter from Mitsubishi UFJ” which sets out the principal factors and reasons taken into account in arriving at its recommendation to us set out in the Composite Document; and (iv) the additional information set out in the appendices to the Composite Document.

Yours faithfully,

Mr. Hui Yin Fat, O.B.E., JP

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

The Independent Board Committee

LETTER FROM MITSUBISHI UFJ

The following is the full text of a letter of advice from Mitsubishi UFJ to the Independent Board Committee in relation to the Offer, which has been prepared for the purpose of inclusion in this Composite Document.



Mitsubishi UFJ Securities (HK) Capital, Limited

30th September 2010

To the Independent Board Committee

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFER

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee in respect of the terms of the Offer, particulars of which are set out in the Composite Document dated 30th September 2010 despatched to the Shareholders. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Composite Document.

As set out in the letter from Kingston Securities (the "**Letter from Kingston Securities**"), the Offeror, Mr. Suen and the Vendors entered into the Share Purchase Agreement, pursuant to which the Offeror has conditionally agreed to acquire from the Vendors an aggregate of 165,000,000 Shares, representing approximately 74.148% of the entire issued share capital of the Company as at the date of the Joint Announcement.

Completion took place on 10th September 2010. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned or agreed to be acquired by it and parties acting in concert with it. Kingston Securities is making the Offer, for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For every Offer Share HK\$2.15 in cash

Further terms and conditions of the Offer, including the procedures for acceptance and settlement of the Offer, are set out in the Composite Document.

An independent board committee comprising two independent non-executive Directors, namely Mr. Hui Yin Fat, *O.B.E., JP* and Mr. Wong Wang Fat, Andrew, *O.B.E. (Hon.), JP* (who have no direct or indirect interest in the Offer), has been established to advise the Independent Shareholders in respect of the Offer. Mr. She Chiu Shun, Ernest, the remaining independent non-executive Director, is a relative of Madam Shea Chau Hung Ping, one of the Vendors, is not considered to be independent to sit on the Independent Board Committee, and was not appointed as a member of the Independent

LETTER FROM MITSUBISHI UFJ

Board Committee. Mr. Ting Woo Shou, Kenneth, *SBS, JP*, a non-executive Director, has interests in certain companies which have been doing business with the Group for over ten years. Mr. Ting Woo Shou, Kenneth, *SBS, JP*, considers that there is conflict of interest if he sits on the Independent Board Committee and he was not appointed as a member of the Independent Board Committee.

In formulating our opinion, we have reviewed the annual report of the Company for the year ended 31st March 2010. We have relied on the accuracy of the information and representations contained in the Composite Document and have assumed that all information and representations made or referred to in the Composite Document as provided by the Offeror and/or the Board were true at the time they were made and should there be any material changes thereto, Shareholders would be notified as soon as possible. We have also relied on our discussion with the Board regarding the Group and the Offer, including the information and representations contained in the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Offeror and/or the Board respectively in the Composite Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Composite Document nor to doubt the truth, accuracy and completeness of the information and representations provided by the Offeror and the Board. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Offeror and their respective associates nor have we carried out any independent verification of the information supplied.

We have not considered the tax implications on the Independent Shareholders of their acceptances or non-acceptances of the Offer since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offer and, if in any doubt, should consult their own professional advisers.

LETTER FROM MITSUBISHI UFJ

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Offer, we have considered the following principal factors and reasons:

(i) Review of financial position/performance of the Group

(a) Income statement

The Group is engaged in printing and manufacturing of high quality, multi-colour packaging products and carton boxes; printing of books, brochures and other paper products. We summarise below the key data of the audited consolidated results of the Group for the two most recent financial years as follows:

HK\$'000	Year ended 31st March		2009
	2010	Year-on-Year comparison	
Turnover	519,452	-13.0%	597,028
Gross profit	121,828	-6.5%	130,293
Selling & distribution costs	(32,975)	-9.6%	(36,469)
Administrative expenses	(57,765)	-7.1%	(62,160)
Profit attributable to Shareholders	24,248	+4.7%	23,159
Dividend per Share (HK\$ cents)	3.5		3.0
Gross profit margin	23.5%		21.8%
Net profit margin	4.7%		3.9%

Source: Annual reports of the Company

LETTER FROM MITSUBISHI UFJ

As illustrated above, the Group managed to attain a growth of about 4.7% in “profit attributable to Shareholders” for the year ended 31st March 2010, despite a reduction in the Group’s “turnover” of about 13.0% from the prior financial year. We note that this was attributable to (1) a less-than-proportionate reduction in the Group’s “gross profit” (of about 6.5%) from the prior financial year, coupled with (2) the reduction in the Group’s “selling & distribution costs” and “administrative expenses” (of about 9.6% and 7.1% respectively) from the prior financial year. We have further analysis for the two most recent financial years below:

	Observation	Company’s responses	Our view
1	“Turnover” of the Group reduced by about 13.0% (from approximately HK\$597 million to approximately HK\$519 million)	Under the difficult market environment as the global economy continued to struggle for a sustainable recovery, the reduction reflected the soft demand for packaging printing products across all major markets The level of sales was also affected, to some extent, by the drop in the prices of paper which was a key component in terms of product pricing	As a majority of the Group’s products are exported to the United States, Europe and other countries, we consider that the reduction in the Group’s “turnover” was in line with the weak economy in the United States and Europe for the year ended 31st March 2010 (being the first full financial year subsequent to the global financial tsunami taken place in September 2008).
2	“Gross profit margin” of the Group improved from about 21.8% to about 23.5%	Due to the shift in product mix towards cosmetic products with higher profitability to compensate for the relatively high labour content required for the underlying manufacturing processes; the drop in raw material costs; and the productivity gains through various initiatives adopted under the difficult operating conditions	In view of the Group’s capability and competence to offer quality products, we consider it is natural for the Group to focus more on high-end customers with higher profit margin, which include reputable multi-national brands of cosmetics, chocolate and jewellery crystal based in Europe and the United States.

LETTER FROM MITSUBISHI UFJ

(b) *Geographical segment*

We have discussed with the Company and understand that a majority of the Group's products are exported to the United States, Europe and other countries. For cross-referencing purpose, we set out in the table below the Group's segment revenue from external customers based on the geographical location at which the goods are delivered to (in percentage terms) for the two most recent financial years:

	2010	2009	Remark
Hong Kong	17%	20%	(mostly for re-export to the United States)
Other areas of the PRC	47%	45%	(for PRC domestic sales)
United States	22%	22%	
Europe	5%	8%	
Other countries	9%	5%	
	100%	100%	

Source: *Annual report of the Company*

(c) *Balance sheet*

We summarise below key data of the most recent audited consolidated statement of financial position of the Group as at 31st March 2010:

	As at 31st March 2010	
		<i>HK\$'000</i>
Non-current assets		353,530
Property, plant and equipment	321,566	
Current assets		215,374
Inventories	66,838	
Trade debtors, prepayments and deposits	97,634	
Cash and cash equivalents	50,902	
Current liabilities		199,954
Bank loans and overdrafts	55,188	
Trade creditors and accrued charges	106,648	
Net asset attributable to Shareholders		342,336

Source: *Annual report of the Company*

LETTER FROM MITSUBISHI UFJ

As illustrated above, “Property, plant and equipment” was the largest component of the Group’s assets, representing about 57% of the total assets of the Group as at 31st March 2010. We note that it includes mostly land and buildings, representing (1) the Group’s factories in Dongguan and Shanghai, the PRC and (2) the Group’s administrative headquarter in Yuen Long, Hong Kong. “Trade debtors, prepayments and deposits” was the second largest component of the Group’s assets as at 31st March 2010. According to the ageing analysis of trade debtors, we note that an overwhelming majority of about 93% of such balance was current, with the balance of about 7% past due mostly for “one to three” months.

Meanwhile, “Trade creditors and accrued charges” were the largest component of the Group’s liabilities, representing about 47% of the total liabilities of the Group as at 31st March 2010. According to the ageing analysis of trade creditors, we note that an overwhelming majority of about 83% of such balance was current and less than one month past due, with the balance of about 17% past due mostly for “one to three” months.

The Group’s net debt-to-capital ratio (defined as total interest-bearing borrowings less cash and cash equivalents divided by total equity) was approximately 12.9% as at 31st March 2010, which was not excessively high.

(d) Cashflow statement

We summarise below the audited/unaudited consolidated cashflow statements of the Group for the two most recent financial years as follows:

HK\$’000	Year ended 31st March	
	2010	2009
Net cash inflow/(outflow) from operating activities	90,581	102,211
Net cash inflow/(outflow) from investing activities	(6,253)	(9,196)
Net cash inflow/(outflow) from financing activities	(81,218)	(62,270)
Net change in cash and cash equivalents	3,110	30,745

Source: Annual reports of the Company

As illustrated above, the Group recorded noticeable “net cash outflow from financing activities” for each of two most recent financial years, which were mostly attributable to net repayment of bank loans. Upon review, we note that “net cash inflow from operating activities” for each of two most recent financial years were capable to more than fully offset the said “net cash outflow from financing activities” in the same years.

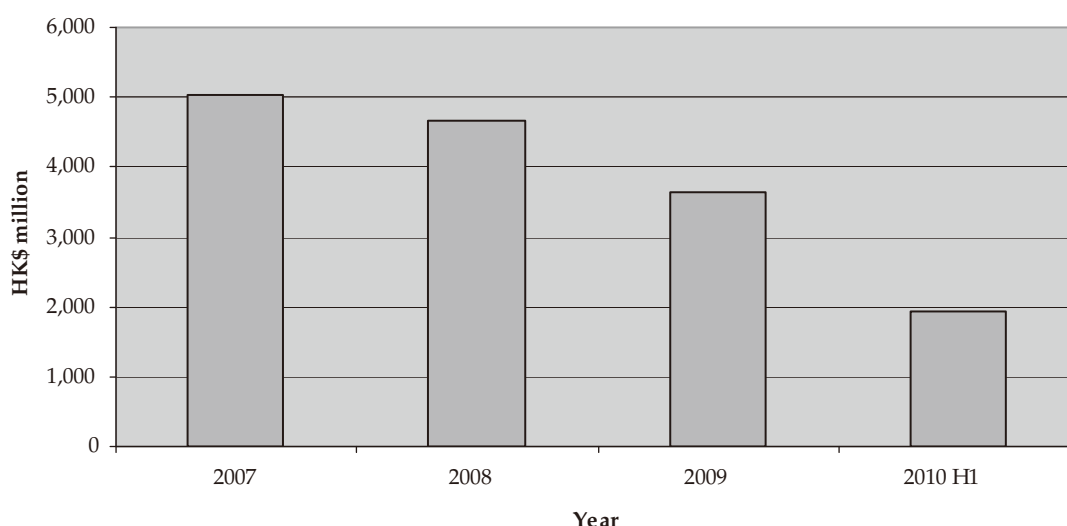
LETTER FROM MITSUBISHI UFJ

In summary, the cash and cash equivalents of the Group increased insignificantly from approximately HK\$47,627,000 on 1st April 2009 to approximately HK\$50,902,000 on 31st March 2010.

(e) *Industry overview*

Given that a majority of the Group's products are exported via Hong Kong to the United States, Europe and other countries, we set out the key statistics of "Domestic Export Statistics Classified by Industrial Origin (of paper and paper products)" from Hong Kong government below:

Paper and paper products, and printing and reproduction of recorded media



Source: "Domestic Export Statistics Classified by Industrial Origin" by Census and Statistics Department (last revision date: 4th August 2010)

As illustrated, the dollar amount of the domestic export of paper and paper products had been on a general declining trend from 2007 to 2009.

(f) *Future outlook*

Based on the observations from point (a) to (b) above, we consider that the Group has been reliant on the export markets (namely, the United States, Europe and other countries). Based on the observations from point (c) to (d) above, we consider that the Group has demonstrated its healthy financial position in view of the Group's ability to (1) pay dividend to Shareholders; (2) repay sizeable bank loans (on a net basis); and (3) generate cash inflow from operating activities (before tax) in excess of HK\$100 million, for each of the two most recent financial years.

According to the latest annual report of the Group for the year ended 31st March 2010, the Group is well placed to benefit from any recovering demand for packaging printing products. The recovery in the global economy, generally expected to continue to be gradual and uneven, is somewhat clouded by the uncertainty surrounding the fiscal crisis in Europe (i.e. risk of default of sovereignty debts of, and restrictive fiscal policies to be carried out by, a number of European countries). Meanwhile, there have been serious labour shortage problems in many of the industrialised locations in China (including Dongguan and Shanghai where the Group's factories are located) and labour costs have been rising rapidly (thereby increasing the cost of production of the Group). Moreover, any appreciation in Chinese Renminbi could translate into additional cost pressure (thereby adversely affecting the Group which has been reliant on exporting for sales).

On the above basis, we consider that the future financial performance of the Group is subject to uncertainty including business risks (namely, volatility in (1) market demand on the Group's high-end products, (2) market prices of paper, (3) labour cost, (4) Renminbi exchange rate, and (5) product mix), and shall hinge on whether the Group will be able to continue to serve its customers by producing quality products at competitive prices through efficacious cost management.

(ii) Share price performance and trading liquidity

We note that the Offer Price of HK\$2.15 per Share represents:

- (1) a premium of approximately 43.33% over the closing price of HK\$1.500 per Share on the Stock Exchange on 19th August 2010, being the Last Trading Day;
- (2) a premium of approximately 47.66% over the average closing price of HK\$1.456 per Share on the Stock Exchange over the last five consecutive trading days up to and including the Last Trading Day;
- (3) a premium of approximately 49.93% over the average closing price of HK\$1.434 per Share on the Stock Exchange over the last 10 consecutive trading days up to and including the Last Trading Day;
- (4) a premium of approximately 50.88% over the average closing price of approximately HK\$1.425 per Share on the Stock Exchange over the last 30 consecutive trading days up to and including the Last Trading Day;
- (5) a premium of approximately 93.17% over the average closing price of approximately HK\$1.113 per Share on the Stock Exchange over the last 60 consecutive trading days up to and including the Last Trading Day;
- (6) a premium of approximately 111.82% over the average closing price of approximately HK\$1.015 per Share on the Stock Exchange over the last 90 consecutive trading days up to and including the Last Trading Day;

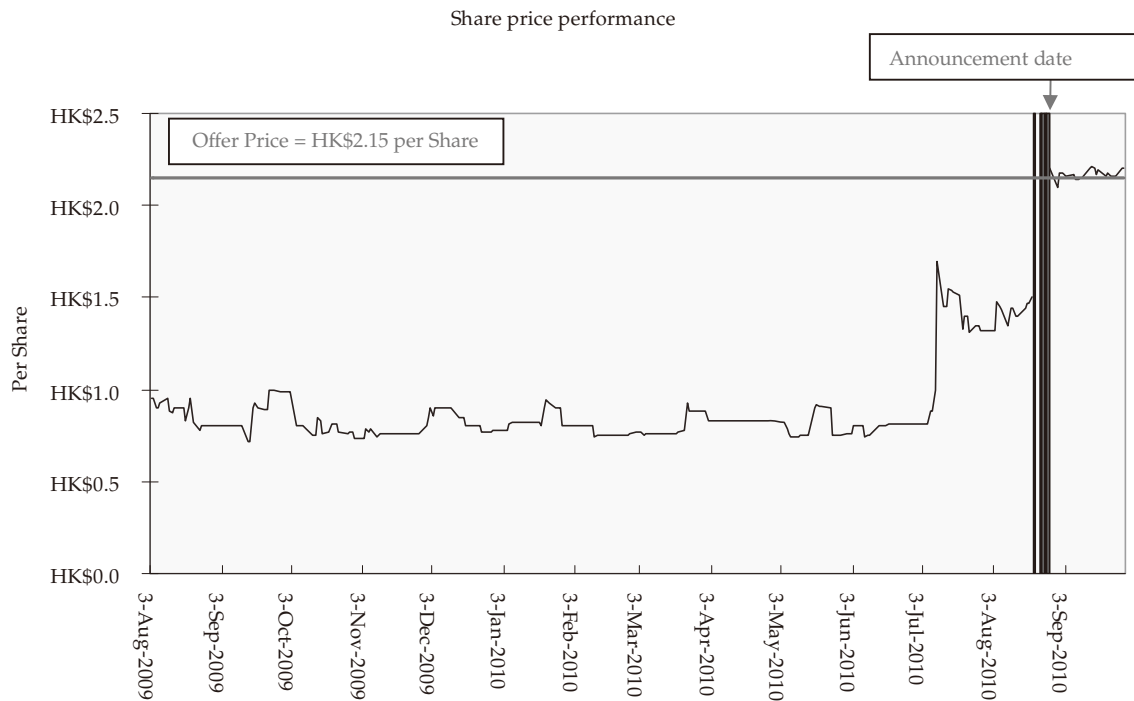
LETTER FROM MITSUBISHI UFJ

- (7) a premium of approximately 142.66% over the average closing price of approximately HK\$0.886 per Share on the Stock Exchange over the last 250 consecutive trading days up to and including the Last Trading Day;
- (8) a discount of approximately 2.27% to the closing price of HK\$2.200 per Share on the Stock Exchange on the Latest Practicable Date;
- (9) a premium of approximately 39.76% over the audited consolidated net assets attributable to Shareholders of approximately HK\$1.538 per Share as at 31st March 2010 (before adjustment for the property revaluation surplus arising from the independent professional valuation on the property interests of the Group as at 31st July 2010); and
- (10) a premium of approximately 27.67% over the unaudited consolidated adjusted net assets attributable to Shareholders of approximately HK\$1.684 per Share as at 31st March 2010 (after adjustment for the property revaluation surplus of approximately HK\$32.4 million arising from the excess of (1) the independent professional valuation by RHL Appraisal Ltd. on the property interests of the Group as at 31st July 2010 over (2) the corresponding carrying values based on the unaudited consolidated management accounts of the Group as at 31st July 2010 and after deduction of the estimated taxes and expenses on disposal of such properties of the Group.

LETTER FROM MITSUBISHI UFJ

(a) Historical Share price performance

For the purpose of further comparing the Offer Price of HK\$2.15 per Share with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange from 1st August 2009 to 19th August 2010 (being the “**Last Trading Day**”) and further up to the Latest Practicable Date (the “**Review Period**”) as follows:



Source: www.hkex.com.hk

During most of the Review Period, the Offer Price was higher than the closing price per Share. During the Review Period, the closing price of the Shares ranged from the lowest of HK\$0.72 per Share recorded on 14th and 15th September 2009 to the highest of HK\$2.21 per Share recorded on 14th September 2010. The Offer Price represents a premium of approximately 199% over the lowest closing price per Share during the Review Period, and a discount of approximately 3% to the highest closing price per Share during the Review Period.

We note that the Shares were mostly traded within the range of about HK\$0.7 to HK\$1.0 per Share from August 2009 to June 2010. However, within five trading days, the closing price of the Shares surged by approximately 110% from HK\$0.81 per Share on 2nd July 2010 to HK\$1.7 per Share on 9th July 2010. According to an announcement of the Company dated 9th July 2010, the Board had noted the then recent increases in the price and trading volume of the shares of the Company, but the Board was not aware of any reasons for such increases save for the then preliminary stage of communication between

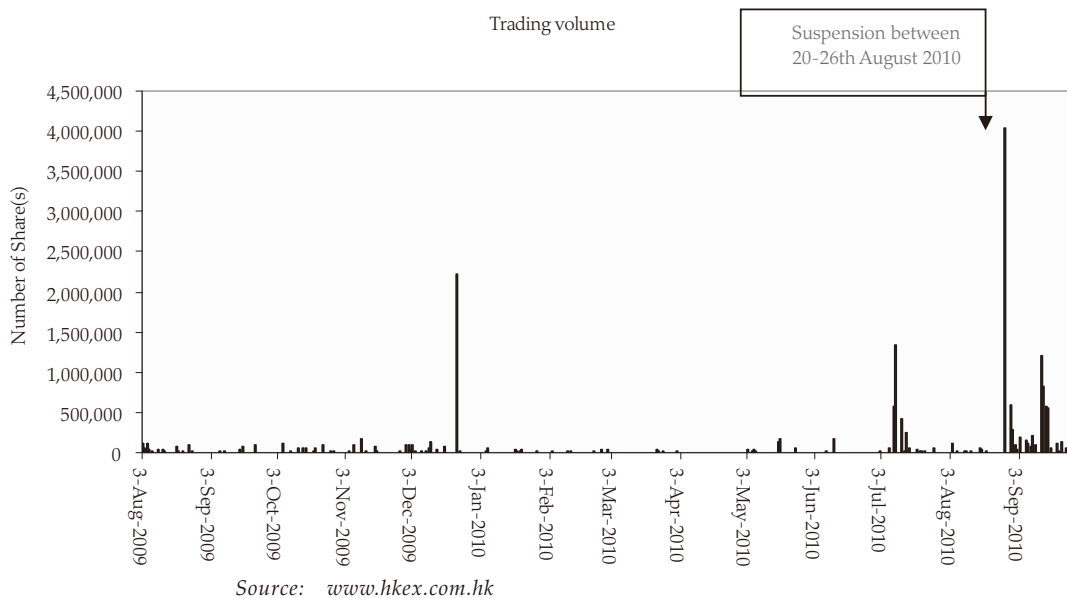
LETTER FROM MITSUBISHI UFJ

the Company and an independent third party in exploring the possibility of a business co-operation opportunity. We consider such substantial surge in the closing price of the Shares might reflect the market speculation to the possible business co-operation opportunity which is price-sensitive in nature.

Immediately subsequent to the release of the Joint Announcement, the closing price per Share surged substantially from HK\$1.5 per Share on 19th August 2010 to HK\$2.2 per Share on 27th August 2010. We consider such substantial increase in the closing price of the Shares might reflect the market response to the Offer.

(b) *Liquidity*

For the purpose of assessing the trading liquidity of the Shares, the following chart shows the daily trading volume of the Shares on the Stock Exchange during the Review Period:



LETTER FROM MITSUBISHI UFJ

Month	Highest daily turnover (in number of Shares)	Lowest daily turnover (in number of Shares)	Average daily turnover (in number of Shares)	Number of trading days with no turnover ³ (in days)	Percentage of average daily turnover to total number of Shares in issue ¹ (%)	Percentage of average daily turnover to total number of Shares held by Independent Shareholders ² (%)
Aug-09	124,000	0	31,905	6	0.01%	0.06%
Sep-09	88,000	0	11,545	16	0.01%	0.02%
Oct-09	116,000	0	25,900	8	0.01%	0.05%
Nov-09	178,000	0	24,486	11	0.01%	0.04%
Dec-09	2,217,700	0	127,805	9	0.06%	0.22%
Jan-10	50,000	0	9,800	13	0.00%	0.02%
Feb-10	30,000	0	6,333	12	0.00%	0.01%
Mar-10	34,000	0	5,217	17	0.00%	0.01%
Apr-10	12,000	0	632	18	0.00%	0.00%
May-10	166,000	0	22,050	13	0.01%	0.04%
Jun-10	172,000	0	9,524	16	0.00%	0.02%
Jul-10	1,340,000	0	136,486	5	0.06%	0.24%
Aug-10	4,044,500	0	308,647	4	0.14%	0.54%
Sept-10 (up to the Latest Practicable Date)	1,206,000	6,000	240,305	0	0.11%	0.42%

Source: Bloomberg

Note:

1. Based on the total number of 222,529,000 Shares in issue as at the Latest Practicable Date
2. Based on the total number of 57,529,000 Shares held by the Independent Shareholders who are subject to the Offer as at the Latest Practicable Date
3. Trading of Shares was suspended from 9:30 a.m. on 20th August 2010 to 26th August 2010, pending the release of the Joint Announcement

As illustrated in the table above, the average daily trading volume of the Shares during the Review Period had been relatively thin prior to the date of the Joint Announcement in August 2010 (being not more than 136,486 Shares daily within July 2010, representing not more than approximately 0.24% of the total number of Shares held by the Independent Shareholders as at the Latest Practicable Date).

In August 2010, the average daily trading volume increased to 308,647 Shares (representing 0.54% of the total number of Shares held by the Independent Shareholders as at the Latest Practicable Date), which was incidental to the publication of the Joint Announcement.

LETTER FROM MITSUBISHI UFJ

Out of a total of 284 Trading Days on the Stock Exchange during the entire Review Period, no trading of the Shares was recorded on 148 Trading Days on the Stock Exchange, which were entirely prior to the Joint Announcement dated 26th August 2010.

In light of the above, we consider the liquidity of the Shares was thin during the Review Period preceding the date of the Joint Announcement. On such basis, the Independent Shareholders would not be able to sell any significant number of their Shares in the market without depressing the market price of the Shares. Therefore, the Offer represents an opportunity for the Shareholders to divest their shareholdings in the Company at a premium over the market price level prevailing prior to the date of the Joint Announcement even if the holdings are in sizable blocks.

(iii) Valuation

The aggregate consideration for the Sale Shares is HK\$354,750,000, or HK\$2.15 per Sale Share, which was determined after arm's length negotiations between the Offeror and the Vendors and has been paid or shall be payable by the Offeror in the manner as detailed in the Joint Announcement, namely,

- (1) a deposit of HK\$50,000,000 in cash to the Vendors upon signing of the Share Purchase Agreement; as followed by
- (2) each of HK\$113,800,000 and HK\$60,950,000 in cash to Ka Chau and the Vendors (other than Ka Chau) respectively on the Completion Date; and
- (3) the Guaranteed Note for the principal amount of HK\$130,000,000 on the Completion Date, which shall be repayable on the date falling 18 months thereafter, bearing an interest rate of 2.1% per month (subject to prepayment in whole or in part at the discretion of the Offeror).

Based on the foregoing, we consider that Ka Chau (being one of the Vendors) is exposed to the credit risk of the Offeror for a portion of the Offer Price receivable of HK\$130,000,000 in 18 months after the Completion Date (representing approximately 36.6% of the entire Offer Price), which is expected to be compensated by an agreed interest income of 2.1% per month potentially.

With reference to an exhaustive list of companies as generated by e-finet, we have identified a total of three companies (the “**Comparables**”) listed on the Stock Exchange which have no less than 90% of revenue generated from printing and manufacture of high-end paper packaging products, carton boxes, books, brochures and/or other paper products for the latest published financial year prior to the Last Trading Day (excluding cigarettes packaging and corrugated paper which are products different from the Group’s and which have different production set-up and profit margins), details of which are set out below:

Name	Stock code	Principal business	Market capitalisation ¹ (1) (HK\$ million)	Net profit attributable to shareholders ² (2) (HK\$ million)	P/E (3)=(1)/(2) (times)	Net asset value ² (4) (HK\$ million)	P/B (5)=(1)/(4) (times)	Dividend yield ¹ (%)
Newway Group Holdings Ltd	55	Printing of labels, plastic cards, advertising materials, and music and entertainment business	2,905.2	60.2	48.2	808.7	3.6	0.6
Starlite Holdings Ltd.	403	Printing and manufacturing of packaging materials, labels, paper products and environmentally friendly products	267.2	41.2	6.5	544.8	0.5	4.9
Cheong Ming Investments Limited	1196	Manufacture and sale of paper cartons, packaging boxes, children’s novelty books, hangtags, labels and shirt paper boards, plastic bags and commercial printing	245.7	15.7	15.6	450.8	0.5	4.9
			Median =		15.6		0.5	4.9
			Mean =		23.5		1.5	3.5
			Maximum =		48.2		3.6	4.9
			Minimum =		6.5		0.5	0.6
Offer Price of HK\$2.15 per Share	377	Printing and manufacturing of high quality, multi-colour packaging products and carton boxes; printing of books, brochures and other paper products	478.4	24.2	19.7	342.3	1.4	1.6

Source: www.finet.hk and www.hkex.com.hk

Note:

1. Based on the latest closing share price on 19th August 2010 (being the date immediately preceding the date of the Share Purchase Agreement)
2. Based on the latest financial data (net profit/net asset value) as published in the respective annual/interim reports by 19th August 2010 (being the date immediately preceding the date of the Share Purchase Agreement)

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For the purpose of assessing the Offer Price, we compare the price to earnings ratio, the price to book ratio, and the dividend yield of the Comparables to those of the Company under the Offer as follows:

Price to earnings ratio

As the Company is principally engaged in the printing and manufacturing of paper products, reference to price to earnings ratio should be one of the most common approaches adopted by the investment community in valuing such kind of revenue-generating entity.

As illustrated in the above table, we note that the price to earnings ratio as represented by the Offer Price of approximately 19.7 times is higher than the median of the Comparables of approximately 15.6 times (despite being lower than the mean of approximately 23.5 times).

Hence, from the perspective of price to earnings ratio with reference to the Comparables, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned, given that the median is statistically more meaningful than the mean.

Price to book ratio

For further assessment purpose, we note that each of the price to book ratio as represented by the Offer Price of approximately 1.4 times is higher than the median of the Comparables of approximately 0.5 times, and is within the range of the Comparables from approximately 0.5 times to approximately 3.6 times (despite being lower than the mean of approximately 1.5 times).

Hence, from the perspective of price to book ratio with reference to the Comparables, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned. In any event, it may not be most relevant in general to assess the Offer Price by reference solely to the Company's net assets, because the Company is principally engaged in printing and manufacturing of paper products and, hence, reference to its net assets level is less meaningful than reference to its earnings level given its non-asset based nature of business.

Dividend yield

For the year ended 31st March 2010, the Company declared a final dividend payment of HK\$0.035 per Share, which corresponded to a dividend payout ratio of approximately 32% based on the earnings per Share of HK\$0.109.

As illustrated in the above table, the Offer Price represents a historical dividend yield of approximately 1.6% based on the final dividend for the year ended 31st March 2010. This is lower than the median of the Comparables of approximately 4.9%, which inversely indicates that the Offer Price is implying a valuation level higher than the median of the Comparables.

Hence, from the perspective of dividend yield with reference to the Comparables, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned. In any event, it is difficult to draw conclusive view on the Offer Price based solely on dividend yield given that the decision of the dividend payout is subject to individual circumstances of different Comparables and different Comparables have different business fundamentals.

(iv) Intention of the Offeror regarding the future prospects of the Group

(a) Business

As set out in the Letter from Kingston Securities, following the close of the Offer, it is the intention of the Offeror that the Group will continue its existing principal activities and the Offeror does not intend to introduce any major changes to the existing operations and business of the Company after the close of the Offer.

The Offeror will regularly review the operations and business activities of the Group to formulate a suitable business strategy for the Group and will explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth. The Offeror has no intention to discontinue the employment of the employees (save for a change in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. The Offeror has no plan on any injection of any assets or businesses into the Company as at the Latest Practicable Date.

(b) Directors and management

We note that the Board is currently made up of eight Directors, comprising four executive Directors, one non-executive Director, and three independent non-executive Directors.

Pursuant to the terms of the Share Purchase Agreement, all existing executive Directors, namely 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, will resign as Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code (that is, following the close of the Offer), but will, after such resignation, remain employed by the Group as consultants.

The continued employment of the existing executive Directors is intended to ensure that there will be no material disruption to the existing business after the change in control of the Group. To ensure the continuing services by the existing executive Directors for the Group, each of them will enter into a service contract with the Company in relation to his/her appointment as a consultant of the Company on the earliest date on which their respective resignations as directors may take effect under the Takeovers Code (that is, following the close of the Offer) for a term of two years commencing from that date and on terms (including remuneration) which are substantially the same as his/her current employment terms with the Company as executive Directors.

The Offeror intends to nominate two executive Directors to the Board and such appointments are expected to take effect immediately after the despatch of this Composite Document and will be in full compliance with relevant regulations and Rule 26.4 of the Takeovers Code. Upon review, we note that these two executive Directors are present directors of other listed companies in Hong Kong, where Mr. Suen has shareholding interests and common directorship in one of them.

Taking into account of the said intention to change the composition of the Board, we consider the impact of the Offer on the Group's management may be mitigated by the continued employment of the existing four executive Directors as a consultant of the Company immediately after their resignation as Directors.

(v) Maintaining the listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Stock Exchange. Each of the Offeror, the Company and the proposed new Directors will undertake to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares. In this connection, it should be noted that upon the close of the Offer, there may be an insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained.

RECOMMENDATION

Having considered the principal factors and reasons set out in the prior sections, in particular, the following:

- (1) the Offer Price is equivalent to the consideration per Sale Share as agreed between the Offeror and the Vendors of HK\$2.15 per Share (other than the settlement mechanism as detailed in the Joint Announcement, where Ka Chau (being one of the Vendors) is exposed to the credit risk of the Offeror for an approximately 36.6% portion of the Offer Price to be receivable in 18 months after the Completion Date, which is expected to be compensated by an agreed interest income of 2.1% per month potentially);
- (2) during most of the Review Period, the Offer Price of HK\$2.15 per Share was higher than the actual closing price per Share;
- (3) the Offer Price of HK\$2.15 per Share represents a significant premium ranging from approximately 43.33% to 142.66% over the average closing prices per Share as quoted on the Stock Exchange for 5, 10, 30, 60, 90 and 250 trading days up to and including the Last Trading Day;
- (4) the Offer Price represents a premium of approximately 39.76% over the audited consolidated net assets attributable to the Shareholders of approximately HK\$1.538 per Share as at 31st March 2010 (before adjustment for the property revaluation surplus arising from the independent professional valuation on the property interests of the Group as at 31st July 2010);

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- (5) the Offer Price represents a premium of approximately 27.67% over the unaudited consolidated adjusted net assets attributable to Shareholders of approximately HK\$1.684 per Share as at 31st March 2010 (after adjustment for the property revaluation surplus of approximately HK\$32.4 million arising from the excess of (1) the independent professional valuation by RHL Appraisal Ltd. on the property interests of the Group as at 31st July 2010 over (2) the corresponding carrying values based on the unaudited consolidated management accounts of the Group as at 31st July 2010 and after deduction of the estimated taxes and expenses on disposal of such properties of the Group;
- (6) the price to earnings ratio as represented by the Offer Price of approximately 19.7 times is higher than the median of the Comparables of approximately 15.6 times;
- (7) the liquidity of the Shares was thin during the Review Period preceding the date of the Joint Announcement; and
- (8) despite the Group managed to pay dividend to Shareholders for the two most recent financial years, the future financial performance of the Group is subject to uncertainty including business risks (namely, volatility in (1) market demand on the Group's high-end products, (2) market prices of paper, (3) labour cost, (4) Renminbi exchange rate, and (5) product mix),

we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend to the Independent Shareholders to accept the Offer.

For Independent Shareholders who wish to retain some or all of their Shares as they are attracted by and confident in the prospects and/or the management of the Group after the close of the Offer or otherwise, they should carefully consider the intention of the Offeror regarding the Group, details of which are set out in the Letter from Kingston Securities. In any event, Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in the Composite Document and are strongly advised that the decision to realise or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

Yours faithfully,
For and on behalf of
Mitsubishi UFJ Securities (HK) Capital, Limited
Harry Yu
Executive Director

1. PROCEDURES FOR ACCEPTANCE

To accept the Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereon for not less than the number of Shares in respect of which you intend to accept the Offer by post or by hand to the Registrar marked “New Island Offer” on the envelope.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or in part of your Shares, you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereon) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar by no later than 4:00 p.m. on the Closing Date; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the

timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Kingston Securities and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) Acceptance of the Offer will be treated as valid only if the duly completed Form of Acceptance is received by the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine in compliance with the requirements of the Takeovers Code and announce, and is:
 - (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or

- (ii) from a registered shareholder of Shares or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
- (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Independent Shareholders, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (f) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (g) The address of the Registrar, Union Registrars Limited, is at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

2. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offer has previously been revised or extended with the consent of the Executive, all Forms of Acceptance must be received by the Registrar by 4:00 p.m. on the Closing Date in accordance with the instructions printed thereon.

If the Offer is extended or revised, the announcement of such extension or revision will state the next Closing Date and the Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification and/or announcement of the extension or revision to the Independent Shareholders, and unless previously extended or revised, shall be closed on the subsequent Closing Date. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.

The Offeror may introduce new conditions to be attached to any revision to the terms of the Offer, or any subsequent revision thereof but only to the extent necessary to implement the revised Offer and subject to the consent of the Executive.

If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer as so extended.

3. ANNOUNCEMENTS

- (a) By 6:00 p.m. (or such later time and/or date as the Executive agrees) on the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements

of the Listing Rules on the Stock Exchange's website no later than 7:00 p.m. on the Closing Date stating whether the Offer has been revised, extended or has expired.

The announcement must state the following:

- (i) the total number of Shares and rights over Shares for which acceptances of the Offer has been received;
- (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and
- (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired during the Offer Period by the Offeror or parties acting in concert with it.

The announcement must include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement must also specify the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer, in respect of which the Executive and (if applicable) the Stock Exchange have confirmed that they have no further comments thereon, will be published on the Stock Exchange website (www.hkex.com) and the website of the Company (www.newisland.com).

4. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders or by their respective agent(s) on their respective behalf shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" above, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

5. SETTLEMENT

- (a) Provided that the Form of Acceptance and/or the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the

Registrar by no later than 4:00 p.m. on the Closing Date for the acceptance of the Offer, a cheque for the amount representing the cash consideration due to each accepting Independent Shareholder in respect of the Shares tendered by him/her or his/her agent(s) under the Offer less seller's ad valorem stamp duty payable by him/her in the case for tendered Shares will be despatched to each accepting Independent Shareholder by ordinary post at his/her own risk as soon as possible but in any event within 10 days from the date of receipt of duly completed acceptances by the Registrar.

- (b) Settlement of the consideration to which any of the Independent Shareholders is entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholders.

If the Offer is withdrawn with the consent of the Executive in accordance with the Takeovers Code, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of the Shares (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholders who have tendered acceptances to the Offer.

6. OVERSEAS SHAREHOLDERS

The Offer will be in respect of securities of a company incorporated in Bermuda and will be subject to the procedures and disclosure requirements under the relevant Hong Kong laws and regulations, which may be different from other jurisdictions. The making of the Offer or the acceptance thereof by persons not being a resident of Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. The Independent Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal and regulatory requirements in their own jurisdictions.

It is the responsibility of any such persons who wish to accept the Offer to satisfy themselves as to the full observance of the applicable legal and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Offeror that the local laws and requirements have been fully complied with. Independent Shareholders should consult their respective professional adviser if in doubt.

7. GENERAL

- (a) All communications, notices, Form of Acceptance, share certificate(s), transfer receipts, other documents of title in respect of the Shares (and/or any

satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their respective designated agents through ordinary post at their own risk, and none of the Company, the Offeror, Kingston Securities, Mitsubishi UFJ, the Registrar nor any of their respective directors or agents or other parties involved in the Offer accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an authority to any director of the Offeror, Kingston Securities or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares, in respect of which such person has accepted the Offer.
- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Offer are sold by any such person or persons free from all Encumbrances and together with all rights attaching thereto, including the right to receive all future dividends or distributions declared, made or paid on the Shares by reference to a record date on or after the date on which the Offer is made, i.e. the date of this Composite Document.
- (g) The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any Shares and/or rights over Shares not acquired under the Offer after the Offer has closed.
- (h) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (i) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated income statement and balance sheet of the Group for each of the years ended 31 March 2008, 2009 and 2010, respectively, as extracted from the relevant published annual reports of the Company. KPMG, the auditors of the Company, have expressed an unqualified opinion on those financial statements in their reports dated 18 July 2008, 10 July 2009 and 23 July 2010 for the years ended 31 March 2008, 31 March 2009 and 31 March 2010, respectively. There were no extraordinary items or exceptional items in respect of the consolidated income statement of the Group for each of the aforesaid years.

Consolidated income statements

	For the year ended 31st March		
	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	519,452	597,028	534,791
Cost of sales	(397,624)	(466,735)	(430,644)
Gross profit	121,828	130,293	104,147
Other revenue	9,814	8,618	8,702
Other net (loss)/gain	(311)	(982)	5,370
Selling and distribution costs	(32,975)	(36,469)	(30,190)
Administrative expenses	(57,765)	(62,160)	(60,366)
Profit from operations	40,591	39,300	27,663
Finance costs	(3,553)	(10,491)	(16,658)
Profit before taxation	37,038	28,809	11,005
Income tax	(12,639)	(5,650)	(3,402)
Profit for the year	<u>24,399</u>	<u>23,159</u>	<u>7,603</u>
Attributable to:			
Equity shareholders of the Company	24,248	23,159	7,603
Minority interests	151	–	–
Profit for the year	<u>24,399</u>	<u>23,159</u>	<u>7,603</u>
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	7,789	6,676	2,225
Amount absorbed by dividends	3.5 cents	3.0 cents	1.0 cent
Earnings per share			
Basic	<u>10.90 cents</u>	<u>10.41 cents</u>	<u>3.42 cents</u>
Diluted	<u>10.90 cents</u>	<u>10.41 cents</u>	<u>3.42 cents</u>

Consolidated balance sheets

	2010		At 31st March 2009		2008	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets						
<i>Fixed assets</i>						
– Property, plant and equipment	321,566		354,162		375,557	
– Interests in leasehold land held for own use under operating leases	29,532		30,315		30,744	
	351,098		384,477		406,301	
Deposits for purchases of machinery	2,432		–		4,056	
		353,530		384,477		410,357
Current assets						
Inventories	66,838		67,672		110,989	
Trade debtors, prepayments and deposits	97,634		97,120		112,942	
Current tax recoverable	–		29		–	
Pledged bank deposit	–		1,011		1,002	
Cash and cash equivalents	50,902		47,692		26,051	
	215,374		213,524		250,984	
Current liabilities						
Bank loans and overdrafts	55,188		80,120		82,063	
Obligations under finance leases	3,780		13,375		15,431	
Trade creditors and accrued charges	106,648		89,348		105,897	
Bills payable	21,311		22,761		37,809	
Current tax payable	13,027		4,552		2,868	
	199,954		210,156		244,068	
Net current assets		15,420		3,368		6,916
Total assets less current liabilities		368,950		387,845		417,273

APPENDIX II
FINANCIAL INFORMATION ON THE GROUP

	2010		At 31st March 2009		2008	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current liabilities						
Bank loans	12,280		45,970		86,641	
Obligations under finance leases	2,411		6,208		19,651	
Deferred taxation	<u>11,772</u>		<u>16,232</u>		<u>16,827</u>	
		(26,463)		(68,410)		(123,119)
NET ASSETS		<u>342,487</u>		<u>319,435</u>		<u>294,154</u>
CAPITAL AND RESERVES						
Share capital		22,253		22,253		22,253
Reserves		<u>320,083</u>		<u>297,182</u>		<u>271,901</u>
Total equity attributable to equity shareholders of the Company		342,336		319,435		294,154
Minority interests		<u>151</u>		<u>–</u>		<u>–</u>
TOTAL EQUITY		<u>342,487</u>		<u>319,435</u>		<u>294,154</u>

2. FINANCIAL STATEMENTS

The following is the audited financial statements of the Group extracted from the annual report of the Company for the year ended 31st March 2010.

Consolidated Income Statement

For the year ended 31st March 2010

(Expressed in Hong Kong dollars)

	<i>Note</i>	2010 \$'000	2009 \$'000
Turnover	3 & 11	519,452	597,028
Cost of sales		<u>(397,624)</u>	<u>(466,735)</u>
Gross profit		121,828	130,293
Other revenue	4(a)	9,814	8,618
Other net loss	4(b)	(311)	(982)
Selling and distribution costs		(32,975)	(36,469)
Administrative expenses		<u>(57,765)</u>	<u>(62,160)</u>
Profit from operations		40,591	39,300
Finance costs	5(a)	<u>(3,553)</u>	<u>(10,491)</u>
Profit before taxation	5	37,038	28,809
Income tax	6(a)	<u>(12,639)</u>	<u>(5,650)</u>
Profit for the year		<u>24,399</u>	<u>23,159</u>
Attributable to:			
Equity shareholders of the Company	9	24,248	23,159
Minority interests		<u>151</u>	<u>–</u>
Profit for the year		<u>24,399</u>	<u>23,159</u>
Earnings per share	10		
Basic		10.90 cents	10.41 cents
Diluted		<u>10.90 cents</u>	<u>10.41 cents</u>

Consolidated Statement of Comprehensive Income*For the year ended 31st March 2010**(Expressed in Hong Kong dollars)*

	2010 \$'000	2009 \$'000
Profit for the year	24,399	23,159
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of nil tax	<u>5,329</u>	<u>4,347</u>
Total comprehensive income for the year	<u>29,728</u>	<u>27,506</u>
Attributable to:		
Equity shareholders of the Company	29,577	27,506
Minority interests	<u>151</u>	<u>–</u>
Total comprehensive income for the year	<u>29,728</u>	<u>27,506</u>

Consolidated Balance Sheet*At 31st March 2010**(Expressed in Hong Kong dollars)*

		2010		2009	
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Non-current assets					
Fixed assets	12				
– Property, plant and equipment		321,566		354,162	
– Interests in leasehold land held for own use under operating leases		<u>29,532</u>		<u>30,315</u>	
		351,098		384,477	
Deposits for purchases of machinery	13	<u>2,432</u>		<u>–</u>	
			353,530		384,477
Current assets					
Inventories	15	66,838		67,672	
Trade debtors, prepayments and deposits	16	97,634		97,120	
Current tax recoverable	22(a)	–		29	
Pledged bank deposit	17	–		1,011	
Cash and cash equivalents	17	<u>50,902</u>		<u>47,692</u>	
		<u>215,374</u>		<u>213,524</u>	
Current liabilities					
Bank loans and overdrafts	18	55,188		80,120	
Obligations under finance leases	19	3,780		13,375	
Trade creditors and accrued charges	20	106,648		89,348	
Bills payable	21	21,311		22,761	
Current tax payable	22(a)	<u>13,027</u>		<u>4,552</u>	
		<u>199,954</u>		<u>210,156</u>	
Net current assets			<u>15,420</u>		<u>3,368</u>
Total assets less current liabilities			368,950		387,845

		2010		2009	
	<i>Note</i>	\$'000	\$'000	\$'000	\$'000
Non-current liabilities					
Bank loans	18	12,280		45,970	
Obligations under finance leases	19	2,411		6,208	
Deferred taxation	22(b)	<u>11,772</u>		<u>16,232</u>	
			<u>(26,463)</u>		<u>(68,410)</u>
NET ASSETS			<u>342,487</u>		<u>319,435</u>
CAPITAL AND RESERVES					
Share capital	23(c)		22,253		22,253
Reserves			<u>320,083</u>		<u>297,182</u>
Total equity attributable to equity shareholders of the Company			342,336		319,435
Minority interests			<u>151</u>		<u>—</u>
TOTAL EQUITY			<u>342,487</u>		<u>319,435</u>

Balance Sheet*At 31st March 2010**(Expressed in Hong Kong dollars)*

		2010		2009	
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Non-current assets					
Investments in subsidiaries	14		137,253		140,821
Current assets					
Prepayments and deposits	16	172		158	
Cash and cash equivalents	17	<u>57</u>		<u>34</u>	
		229		192	
Current liabilities					
Accrued charges	20	<u>461</u>		<u>361</u>	
Net current liabilities			<u>(232)</u>		<u>(169)</u>
NET ASSETS			<u>137,021</u>		<u>140,652</u>
CAPITAL AND RESERVES	23(a)				
Share capital			22,253		22,253
Reserves			<u>114,768</u>		<u>118,399</u>
TOTAL EQUITY			<u>137,021</u>		<u>140,652</u>

Consolidated Statement of Changes In Equity*For the year ended 31st March 2010**(Expressed in Hong Kong dollars)*

	<i>Note</i>	Attributable to equity shareholders of the Company							Minority interests	Total equity
		Share capital	Share premium	Statutory surplus reserve	Exchange reserve	Other reserves	Retained profits	Total		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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 year ended 31st March 2009:										
Dividends approved in respect of previous financial year		–	–	–	–	–	(2,225)	(2,225)	–	(2,225)
Total comprehensive income for the year		–	–	–	4,347	–	23,159	27,506	–	27,506
Transfer to statutory surplus reserve		–	–	2,679	–	33	(2,712)	–	–	–
Balance at 31st March 2009		<u>22,253</u>	<u>37,741</u>	<u>20,680</u>	<u>41,512</u>	<u>4,890</u>	<u>192,359</u>	<u>319,435</u>	<u>–</u>	<u>319,435</u>
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 year ended 31st March 2010:										
Dividends approved in respect of previous financial year	23(b)	–	–	–	–	–	(6,676)	(6,676)	–	(6,676)
Total comprehensive income for the year		–	–	–	5,329	–	24,248	29,577	151	29,728
Transfer to statutory surplus reserve		–	–	2,222	–	–	(2,222)	–	–	–
Balance at 31st March 2010		<u>22,253</u>	<u>37,741</u>	<u>22,902</u>	<u>46,841</u>	<u>4,890</u>	<u>207,709</u>	<u>342,336</u>	<u>151</u>	<u>342,487</u>

Consolidated Cash Flow Statement*For the year ended 31st March 2010**(Expressed in Hong Kong dollars)*

	<i>Note</i>	2010 \$'000	2009 \$'000
Operating activities			
Profit before taxation		37,038	28,809
Adjustments for:			
– Depreciation and amortisation	5(c)	37,531	39,376
– Interest income	4(a)	(150)	(283)
– Finance costs	5(a)	3,553	10,491
– Net loss/(gain) on disposal of fixed assets	4(b)	524	(120)
– Foreign exchange loss		1,074	430
Operating profit before changes in working capital		79,570	78,703
Decrease in inventories		926	44,127
(Increase)/decrease in trade debtors, prepayments and deposits		(336)	16,759
Increase/(decrease) in trade creditors and accrued charges		21,481	(17,702)
Decrease in bills payable		(1,450)	(15,048)
Cash generated from operations		100,191	106,839
Tax (paid)/refunded			
– Hong Kong Profits Tax (paid)/refunded		(1,135)	14
– Income tax paid – outside Hong Kong		(8,475)	(4,642)
Net cash generated from operating activities		90,581	102,211
Investing activities			
Payment for purchase of fixed assets		(7,025)	(9,818)
Interest received		150	283
Proceeds from disposal of fixed assets		622	339
Net cash used in investing activities		(6,253)	(9,196)

	<i>Note</i>	2010 \$'000	2009 \$'000
Financing activities			
Decrease/(increase) in pledged bank deposit		1,011	(9)
Proceeds from new bank loans		206,266	149,756
Repayment of bank loans		(264,874)	(183,802)
Capital element of finance lease rental payments		(13,392)	(15,499)
Interest on bank loans and overdrafts paid		(3,344)	(9,570)
Interest element of finance lease rental payments		(209)	(921)
Dividend paid to equity shareholders of the Company	23(b)	(6,676)	(2,225)
Net cash used in financing activities		<u>(81,218)</u>	<u>(62,270)</u>
Net increase in cash and cash equivalents		3,110	30,745
Cash and cash equivalents at 1st April		47,627	16,479
Effect of foreign exchange rates changes		<u>165</u>	<u>403</u>
Cash and cash equivalents at 31st March	17	<u>50,902</u>	<u>47,627</u>

Notes To The Financial Statements*For the year ended 31st March 2010**(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 2010 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain assets and liabilities are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 31.

(c) Subsidiaries and minority interests

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.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(h)).

(d) Property, plant and equipment

Property, plant and equipment are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses (see note 1(h)), with the exception of properties under development which are stated at cost less impairment losses (see note 1(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, 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 and its residual value, if any, are reviewed annually.

(e) Leased assets

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

(i) Classification of assets leased to the Group

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

(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 profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss 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 profit or loss 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.

The Group derecognises trade and other receivables when the contractual rights to the cash flows from the receivables expire, or it transfers the rights to receive the contractual cash flows on the trade and other receivables in a transaction in which substantially all the risks and rewards of ownership of the trade and other receivables are transferred. Any interest in transferred trade and other receivables that is created or retained by the Group is recognised as a separate asset or liability.

(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 profit or loss. 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.

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 profit or loss.

(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 fair value less costs to sell 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 the 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).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if 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 profit or loss 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 profit or loss 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(n)(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.

(k) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(l) 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 consolidated cash flow statement.

(m) 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 profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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.

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.

(n) 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 Group 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 Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(n)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group 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.

(o) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. 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 profit or loss 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 profit or loss 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.

(iv) *Government grants*

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(v) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(p) **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 profit or loss.

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 closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(q) **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.

(r) **Borrowing costs**

Borrowing costs that are 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 are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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.

(s) 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;
- (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.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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*

The adoption of Improvements to HKFRSs (2008) and HKAS 23 (revised 2007) has no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these developments 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 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 11). Corresponding amounts have 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. 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 expenses or net assets for any of the periods presented.
- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in the financial statements about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.
- 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 April 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, 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 investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee 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. The adoption of the amendments to HKAS 27 has no impact on the financial statements for the year ended 31st March 2010.

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.

4 OTHER REVENUE AND NET LOSS

	2010 \$'000	2009 \$'000
(a) Other revenue		
Rentals receivable from operating leases	7,048	–
Licence fee income	–	7,800
Interest income	150	283
Government grants	722	–
Others	1,894	535
	<u>9,814</u>	<u>8,618</u>
(b) Other net loss		
Net (loss)/gain on disposal of fixed assets	(524)	120
Net exchange gain/(loss)	213	(1,201)
Others	–	99
	<u>(311)</u>	<u>(982)</u>

5 PROFIT BEFORE TAXATION

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

	2010 \$'000	2009 \$'000
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within five years	3,344	9,570
Finance charges on obligations under finance leases	209	921
	<u>3,553</u>	<u>10,491</u>
(b) Staff costs (excluding directors' remuneration) [#] :		
Contributions to defined contribution retirement plans	5,386	7,718
Salaries, wages and other benefits	102,368	110,235
	<u>107,754</u>	<u>117,953</u>

	2010 \$'000	2009 \$'000
(c) Other items:		
Cost of inventories sold [#]	397,624	466,735
Auditor's remuneration		
– audit services	1,023	1,125
– tax services	267	47
– other services	–	98
Depreciation [#]		
– owned assets	28,496	26,831
– assets held under finance leases	8,186	11,715
Amortisation of land lease premium [#]	849	830
Operating lease charges for land and buildings [#]	2,477	3,191
Impairment loss on trade debtors	1,030	5,208
Reversal of impairment loss on trade debtors	(2,095)	–
Net loss on forward foreign exchange contracts	524	–
	<u>397,624</u>	<u>466,735</u>

[#] Cost of inventories includes \$108,931,000 (2009: \$113,205,000) relating to staff costs, depreciation expenses, amortisation of land lease premium, and operating lease charges, which amount is also included in the respective amounts disclosed separately above for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2010 \$'000	2009 \$'000
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year	2,171	1,457
Under-provision in respect of prior years	5,637	536
	<u>7,808</u>	<u>1,993</u>
Current tax – Outside Hong Kong		
Provision for the year	8,803	4,282
Under/(over)-provision in respect of prior years	492	(30)
	<u>9,295</u>	<u>4,252</u>
Deferred tax		
Origination and reversal of temporary differences	(4,464)	(595)
	<u>12,639</u>	<u>5,650</u>

Hong Kong Profits Tax

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year.

During the year ended 31st March 2010, the Hong Kong Inland Revenue Department (“IRD”) conducted a field audit on the tax affairs of certain subsidiaries of the Company, principally related to the depreciation allowance claims in respect of plant and machinery. Subsequent to the balance sheet date in May 2010, the field audit was completed and revised assessments for the years of assessment 2002/03 to 2008/09 were raised by the IRD with an additional tax totaling \$8,222,000. Provision of \$2,582,000 and \$3,208,000 had previously been made under current tax payable and deferred tax liabilities respectively in the financial statements for the year ended 31st March 2009. All of the additional tax liabilities as a result of the revised assessments for the prior years have been fully provided for in the financial statements for the year ended 31st March 2010.

PRC Corporate Income Tax

The Company’s subsidiaries in the PRC are subject to PRC Corporate Income Tax.

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 corporate income tax rate for the Company’s subsidiaries in the PRC became 25% from 1st January 2008. In respect of New Island (Shanghai) Paper Products Company Limited (“NISPP”), it has been granted a tax holiday where it is fully exempted from PRC Corporate 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.

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. Dividends 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.

United States tax

The Company’s subsidiaries in the United States are subject to U.S. Corporate Income Tax rate of 15% (2009: 15%).

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

	2010 \$'000	2009 \$'000
Profit before taxation	37,038	28,809
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	8,091	3,929
Tax effect of non-deductible expenses	2,083	2,808
Tax effect of non-taxable revenue	(105)	(42)
Tax effect of unused tax losses not recognised	–	816
Tax effect of utilisation of prior years' unrecognised tax losses	(818)	–
Tax effect of reversal of temporary differences not recognised in prior years	(2,741)	(2,367)
Under-provision in respect of prior years	6,129	506
Actual tax expense	12,639	5,650

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 2010

	Directors' fees \$'000	Discretionary bonuses \$'000	Salaries, allowances and benefits \$'000	Retirement scheme contributions \$'000	Total \$'000
Executive Directors					
Madam So Chau Yim Ping, <i>BBS, JP</i>	–	20	650	18	688
Mrs Fung So Ka Wah, Karen	–	20	650	30	700
Mrs Cheong So Ka Wai, Patsy	–	20	650	30	700
Mr So Wah Shum, Conrad	–	20	910	42	972
Non-Executive Director					
Mr Ting Woo Shou, Kenneth, <i>SBS, JP</i>	50	–	–	–	50
Independent Non-Executive Directors					
Mr Hui Yin Fat, <i>O.B.E.(Hon), JP</i>	50	–	–	–	50
Mr She Chiu Shun, Ernest	50	–	–	–	50
Mr Wong Wang Fat, Andrew, <i>O.B.E.(Hon), JP</i>	50	–	–	–	50
	200	80	2,860	120	3,260

For the year ended 31st March 2009

	Directors' fees \$'000	Discretionary bonuses \$'000	Salaries, allowances and benefits \$'000	Retirement scheme contributions \$'000	Total \$'000
Executive Directors					
Madam So Chau Yim Ping, <i>BBS, JP</i>	–	–	650	18	668
Mrs Fung So Ka Wah, Karen	–	–	650	30	680
Mrs Cheong So Ka Wai, Patsy	–	–	650	30	680
Mr So Wah Shum, Conrad	–	–	910	42	952
Non-Executive Director					
Mr Ting Woo Shou, Kenneth, <i>SBS, JP</i>	50	–	–	–	50
Independent Non-Executive Directors					
Mr Hui Yin Fat, <i>O.B.E.(Hon), JP</i>	50	–	–	–	50
Mr She Chiu Shun, Ernest	50	–	–	–	50
Mr Wong Wang Fat, Andrew, <i>O.B.E.(Hon), JP</i>	50	–	–	–	50
	<u>200</u>	<u>–</u>	<u>2,860</u>	<u>120</u>	<u>3,180</u>

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, one (2009: one) is a Director whose emolument is disclosed in note 7. The emoluments of the other four (2009: four) individuals are as follows:

	2010 \$'000	2009 \$'000
Salaries, allowances and benefits in kind	4,132	3,788
Retirement scheme contributions	<u>218</u>	<u>157</u>
	<u>4,350</u>	<u>3,945</u>

The emoluments of the above four (2009: four) individuals with the highest emoluments are within the following bands:

	2010 Number of individuals	2009 Number of individuals
Nil to \$1,000,000	3	3
\$1,000,001 to \$1,500,000	<u>1</u>	<u>1</u>
	<u>4</u>	<u>4</u>

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes \$3,045,000 (2009: loss of \$488,000) which has been dealt with in the financial statements of the Company.

10 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 year of \$24,248,000 (2009: \$23,159,000) and on the number of 222,529,000 (2009: 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 2010 and 2009, and diluted earnings per share are the same as basic earnings per share.

11 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: manufacture and sales of paper products
- Shanghai: manufacture and sales of paper products

In accordance with HKFRS 8, segment information disclosed in the financial statements 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. In this regard, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Segment assets include all non-current and current assets. Segment liabilities include current and non-current liabilities attributable to the individual segments.

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.

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 year ended 31st March 2010 and 2009 is set out below.

(a) Reportable segment revenues, profit or loss, assets and liabilities:

	Dongguan and Hong Kong		Shanghai		Total	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	334,225	419,647	185,227	177,381	519,452	597,028
Inter-segment revenue	16,625	14,675	3,623	14,355	20,248	29,030
Reportable segment revenue	350,850	434,322	188,850	191,736	539,700	626,058
Reportable segment profit	6,073	10,400	19,123	16,003	25,196	26,403
Reportable segment assets	344,156	372,893	239,239	226,467	583,395	599,360
Reportable segment liabilities	196,972	212,430	43,936	67,495	240,908	279,925

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities:

	2010	2009
	\$'000	\$'000
Revenue		
Reportable segment revenue	539,700	626,058
Elimination of inter-segment revenue	(20,248)	(29,030)
Consolidated turnover	519,452	597,028
Profit		
Reportable segment profit	25,196	26,403
Elimination of inter-segment profit	(797)	(3,244)
Consolidated profit	24,399	23,159
Assets		
Reportable segment assets	583,395	599,360
Elimination of inter-segment receivables	(14,491)	(1,359)
Consolidated total assets	568,904	598,001
Liabilities		
Reportable segment liabilities	240,908	279,925
Elimination of inter-segment payables	(14,491)	(1,359)
Consolidated total liabilities	226,417	278,566

(c) Geographical information

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 following table sets out information about the geographical location of revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered to:

	2010 \$'000	2009 \$'000
Hong Kong	85,090	116,947
Other areas of the PRC	245,944	268,602
United States	113,299	129,862
Europe	27,874	51,546
Other countries	47,245	30,071
	<u>519,452</u>	<u>597,028</u>

12 FIXED ASSETS

(a) Group

	Land and buildings \$'000	Properties under development \$'000	Machinery		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
			Owned \$'000	Leased \$'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 disposals	(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

APPENDIX II

FINANCIAL INFORMATION ON THE GROUP

	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
	\$'000	\$'000	Owned	Leased	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:											
At 1st April 2009	280,336	–	213,029	153,914	8,440	24,571	35,731	8,534	724,555	39,992	764,547
Exchange adjustments	655	–	303	286	–	18	75	11	1,348	90	1,438
Additions	526	–	2,848	–	–	165	764	290	4,593	–	4,593
Reclassification	–	–	79,241	(79,241)	–	–	–	–	–	–	–
Disposals	(284)	–	(3,434)	–	–	(16)	(18)	(1,208)	(4,960)	–	(4,960)
At 31st March 2010	281,233	–	291,987	74,959	8,440	24,738	36,552	7,627	725,536	40,082	765,618
Accumulated amortisation and depreciation:											
At 1st April 2009	81,835	–	139,431	80,886	7,526	22,396	31,088	7,231	370,393	9,677	380,070
Exchange adjustments	329	–	166	119	–	14	71	10	709	24	733
Charge for the year	11,365	–	13,624	8,186	301	602	2,102	502	36,682	849	37,531
Reclassification	–	–	53,985	(53,985)	–	–	–	–	–	–	–
Written back on disposals	–	–	(2,628)	–	–	(16)	(18)	(1,152)	(3,814)	–	(3,814)
At 31st March 2010	93,529	–	204,578	35,206	7,827	22,996	33,243	6,591	403,970	10,550	414,520
Net book value:											
At 31st March 2010	187,704	–	87,409	39,753	613	1,742	3,309	1,036	321,566	29,532	351,098

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

	The Group	
	2010	2009
	\$'000	\$'000
Situated in Hong Kong and held under medium term leases	78,781	81,127
Situated outside Hong Kong and held under medium term leases	138,455	147,689
	<u>217,236</u>	<u>228,816</u>
Representing:		
Land and buildings	187,704	198,501
Interests in leasehold land held for own use under operating leases	<u>29,532</u>	<u>30,315</u>
	<u>217,236</u>	<u>228,816</u>

(c) Fixed assets leased out under operating leases:

The Group subleases certain portions of land and buildings under operating leases. The leases run for one year. None of the leases includes contingent rentals.

The Group's total future minimum sublease payments under non-cancellable subleases are receivable as follows:

	The Group	
	2010	2009
	<i>\$'000</i>	<i>\$'000</i>
Within 1 year	4,005	–

13 DEPOSITS FOR PURCHASES OF MACHINERY

As at 31st March 2010, the Group made deposits of \$2,432,000 (2009: \$Nil) for the acquisition of machinery. The remaining amounts of the contract are included in capital commitments (note 26(a)).

14 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2010	2009
	<i>\$'000</i>	<i>\$'000</i>
Unlisted investments, at cost	82,360	82,360
Amounts due from subsidiaries	54,893	58,461
	137,253	140,821

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

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		Principal activities
			Directly	Indirectly	
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

Name of company	Place of incorporation/ establishment and operation	Particulars of issued/ registered capital	Percentage of ownership interest held by the Company		Principal activities
			Directly	Indirectly	
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
NITNS LLC	The United States of America	100 ordinary shares of US\$1 each	–	51%	Provision of marketing services

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 an annual increase by RMB18,000 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. Management fee charged to profit or loss for the year ended 31st March 2010 amounted to \$665,000 (2009: \$643,000).

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.

15 INVENTORIES

Inventories in the consolidated balance sheet comprise:

	The Group	
	2010 \$'000	2009 \$'000
Raw materials	42,265	30,649
Work in progress	12,545	16,999
Finished goods	12,028	20,024
	66,838	67,672

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

	The Group	
	2010	2009
	<i>\$'000</i>	<i>\$'000</i>
Carrying amount of inventories sold	392,890	464,409
Write-down of inventories	4,734	2,326
	<u>397,624</u>	<u>466,735</u>

16 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

	The Group		The Company	
	2010	2009	2010	2009
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Trade debtors	99,217	97,647	–	–
Less: Allowance for doubtful debts (note 16(b))	<u>(8,534)</u>	<u>(9,598)</u>	<u>–</u>	<u>–</u>
	90,683	88,049	–	–
Amount due from a related company (note 16(d))	5	–	–	–
Other receivables	5,258	7,855	–	–
Deposits and prepayments	<u>1,458</u>	<u>1,216</u>	<u>172</u>	<u>158</u>
	97,404	97,120	172	158
Derivative financial instruments (note 25(d))	<u>230</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>97,634</u>	<u>97,120</u>	<u>172</u>	<u>158</u>

All trade debtors, prepayments and deposits, apart from deposits of the Group amounting to \$761,000 (2009: \$501,000), are expected to be recovered or recognised as expenses 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:

	The Group	
	2010	2009
	<i>\$'000</i>	<i>\$'000</i>
Current	84,227	71,407
Less than one month past due	256	3,380
One to three months past due	5,767	5,296
Over three months past due	<u>433</u>	<u>7,966</u>
	<u>90,683</u>	<u>88,049</u>

The Group's credit policy is set out in note 25(a).

(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:

	The Group	
	2010	2009
	\$'000	\$'000
At 1st April	9,598	4,557
Exchange adjustments	1	12
Impairment loss recognised	1,030	5,208
Uncollectible amounts written off	–	(179)
Reversal of impairment loss	(2,095)	–
At 31st March	8,534	9,598

At 31st March 2010, the Group's trade debtors of \$8,534,000 (2009: \$9,598,000) 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 \$8,534,000 (2009: \$9,598,000) was recognised. The Group does not hold any collateral over these balances.

During the year ended 31st March 2010, settlements were received from the trade debtors for which impairment losses were made as at 31st March 2009. The related impairment losses were reversed and credited to profit or loss accordingly.

(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:

	The Group	
	2010	2009
	\$'000	\$'000
Neither past due nor impaired	84,227	71,407
Less than one month past due	256	3,380
One to three months past due	5,767	5,296
Over three months past due	433	7,966
	6,456	16,642
	90,683	88,049

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.

- (d) Amount due from a related company is unsecured, interest-free and repayable on demand.

17 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	50,902	48,703	57	34
Pledged bank deposit (note 18)	—	(1,011)	—	—
	<u>50,902</u>	<u>47,692</u>	<u>57</u>	<u>34</u>
Cash and cash equivalents in the balance sheet	50,902	47,692	57	34
Bank overdrafts (note 18)	—	(65)	—	—
Cash and cash equivalents in the consolidated cash flow statement	<u>50,902</u>	<u>47,627</u>	—	—

18 BANK LOANS AND OVERDRAFTS

At 31st March 2010, bank loans and overdrafts were repayable as follows:

	The Group	
	2010	2009
	\$'000	\$'000
Within one year or on demand	55,188	80,120
After one year but within two years	7,920	33,690
After two years but within five years	4,360	12,280
	<u>12,280</u>	<u>45,970</u>
	<u>67,468</u>	<u>126,090</u>

At 31st March 2010, bank loans and overdrafts were secured as follows:

	2010 \$'000	2009 \$'000
Bank overdrafts		
– unsecured	–	65
	– – – – –	– – – – –
Bank loans		
– secured	49,318	87,706
– unsecured	18,150	38,319
	<u>67,468</u>	<u>126,025</u>
	– – – – –	– – – – –
	<u>67,468</u>	<u>126,090</u>

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 \$120,767,000 (2009: \$139,207,000) at 31st March 2010. Assets pledged under such facilities are as follows:

	2010 \$'000	2009 \$'000
Fixed assets	97,535	102,327
Trade debtors	23,232	35,869
Pledged bank deposit (<i>note 17</i>)	–	1,011
	<u>120,767</u>	<u>139,207</u>

The above secured banking facilities amounted to \$118,815,000 (2009: \$136,657,000). The facilities were utilised to the extent of \$57,360,000 (2009: \$102,435,000) at 31st March 2010, comprising bank loans and overdrafts of \$49,318,000 (2009: \$87,706,000) and bills payable of \$8,042,000 (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. Further details of the Group's management of liquidity risk are set out in note 25(b). As at 31st March 2010 and 2009, none of the bank covenants relating to drawn down facilities has been breached.

As at 31st March 2010, bank loan of the Group of \$12,280,000 (2009: \$20,200,000) was repayable after one year according to the repayment schedule stipulated in the loan agreement. However, the loan agreement provides that the bank may demand repayment of the loan at any time. As at 31st March 2010 and 2009, the Group was not in breach of any of the covenants or undertakings of the facility. The Directors have evaluated the financial position of the Group and considered that the probability for the bank to demand repayment of such loan within one year was remote. Therefore, such loan was classified as non-current liabilities in the consolidated balance sheet as at 31st March 2010 and 2009 in accordance with the repayment schedule stipulated in the loan agreement.

19 OBLIGATIONS UNDER FINANCE LEASES

At 31st March 2010, the Group had obligations under finance leases repayable as follows:

	2010			2009		
	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	3,780	62	3,842	13,375	263	13,638
After one year but within two years	2,411	15	2,426	3,781	94	3,875
After two years but within five years	–	–	–	2,427	22	2,449
	2,411	15	2,426	6,208	116	6,324
	6,191	77	6,268	19,583	379	19,962

20 TRADE CREDITORS AND ACCRUED CHARGES

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Trade creditors	57,891	43,922	–	–
Amount due to a related company (note 20(b))	45	–	–	–
Other payables and accrued charges	47,818	45,426	461	361
	105,754	89,348	461	361
Derivative financial instruments (note 25(d))	894	–	–	–
	106,648	89,348	461	361

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

- (a) Included in trade creditors and accrued charges are trade creditors with the following ageing analysis:

	The Group	
	2010	2009
	\$'000	\$'000
Current and less than one month past due	47,786	33,506
One to three months past due	9,116	9,345
More than three months past due	989	1,071
	57,891	43,922

- (b) Amount due to a related company is unsecured, interest-free and repayable on demand.

21 BILLS PAYABLE

An ageing analysis of bills payable is as follows:

	The Group	
	2010	2009
	<i>\$'000</i>	<i>\$'000</i>
Due within one month	6,832	9,130
Due after one month but within two months	11,234	3,264
Due after two months but within three months	3,245	10,367
	<u>21,311</u>	<u>22,761</u>

22 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	The Group	
	2010	2009
	<i>\$'000</i>	<i>\$'000</i>
Provision for Hong Kong Profits Tax for the year	2,171	1,457
Balance of Profits Tax payable relating to prior years	<u>7,124</u>	<u>1,169</u>
	9,295	2,626
Income tax payable – outside Hong Kong	<u>3,732</u>	<u>1,897</u>
	<u>13,027</u>	<u>4,523</u>
Representing:		
Current tax payable	13,027	4,552
Current tax recoverable	<u>–</u>	<u>(29)</u>
	<u>13,027</u>	<u>4,523</u>

(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 \$'000	Provisions \$'000	Future benefits of tax losses \$'000	Others \$'000	Total \$'000
Deferred tax arising from:					
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	<u>17,443</u>	<u>(1,211)</u>	<u>–</u>	<u>–</u>	<u>16,232</u>
At 1st April 2009	17,443	(1,211)	–	–	16,232
Exchange adjustments	10	(6)	–	–	4
Credited to consolidated income statement	<u>(4,124)</u>	<u>(340)</u>	<u>–</u>	<u>–</u>	<u>(4,464)</u>
At 31st March 2010	<u>13,329</u>	<u>(1,557)</u>	<u>–</u>	<u>–</u>	<u>11,772</u>

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(m), the Group has not recognised deferred tax assets in respect of cumulative tax losses of \$Nil (2009: \$3,272,000) and deductible temporary differences of \$1,824,000 (2009: \$15,410,000) 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 2010, temporary differences relating to the undistributed profits of subsidiaries amounted to \$59,808,000 (2009: \$31,924,000). Deferred tax liabilities of \$2,990,000 (2009: \$1,596,000) representing the tax payable upon the distribution of such retained profits have not been recognised 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.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital \$'000	Share premium \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000
At 1st April 2008	22,253	37,741	67,360	16,011	143,365
Loss for the year (note 9)	–	–	–	(488)	(488)
Dividend approved in respect of the previous year	–	–	–	(2,225)	(2,225)
At 31st March 2009	<u>22,253</u>	<u>37,741</u>	<u>67,360</u>	<u>13,298</u>	<u>140,652</u>
At 1st April 2009	22,253	37,741	67,360	13,298	140,652
Profit for the year (note 9)	–	–	–	3,045	3,045
Dividend approved in respect of the previous year	–	–	–	(6,676)	(6,676)
At 31st March 2010	<u>22,253</u>	<u>37,741</u>	<u>67,360</u>	<u>9,667</u>	<u>137,021</u>

The Company's reserves available for distribution to shareholders at 31st March 2010 are \$77,027,000 (2009: \$80,658,000).

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the year:

	2010 \$'000	2009 \$'000
Final dividend proposed after the balance sheet date of 3.5 cents (2009: 3.0 cents) per share	<u>7,789</u>	<u>6,676</u>

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

(c) Authorised and issued share capital

	2010 \$'000	2009 \$'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.

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Contributed surplus

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.

(iii) Statutory surplus reserve

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.

(iv) Exchange reserve

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(p)).

(v) Other reserves

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.

(e) 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 2010, the Group's strategy, which was unchanged from 2009, 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 payable to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-capital ratios at 31st March 2010 and 2009 were as follows:

		The Group	
		2010	2009
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>
Current liabilities:			
Bank loans and overdrafts	18	55,188	80,120
Obligations under finance leases	19	3,780	13,375
Bills payable	21	21,311	22,761
		<u>80,279</u>	<u>116,256</u>
Non-current liabilities:			
Bank loans	18	12,280	45,970
Obligations under finance leases	19	2,411	6,208
		<u>14,691</u>	<u>52,178</u>
Total debt		94,970	168,434
Less: Cash and cash equivalents	17	50,902	47,692
		<u>50,902</u>	<u>47,692</u>
Net debt		44,068	120,742
		<u>44,068</u>	<u>120,742</u>
Total equity		342,487	319,435
		<u>342,487</u>	<u>319,435</u>
Net debt-to-capital ratio		0.13	0.38
		<u>0.13</u>	<u>0.38</u>

As disclosed in note 18, the Group is subject to externally imposed capital requirements under covenants relating to certain banking facilities.

24 CONTINGENT LIABILITIES

The Company has given guarantees to banks to secure facilities of \$181,362,000 (2009: \$200,000,000) 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 \$69,600,000 (2009: \$137,262,000).

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.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are 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 8% (2009: 9%) and 28% (2009: 26%) 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 16.

(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 non-derivative and derivative 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:

The Group

	2010					2009				
	Balance sheet 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	Balance sheet carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade creditors and accrued charges	105,754	105,754	105,754	-	-	89,348	89,348	89,348	-	-
Bills payable	21,311	21,372	21,372	-	-	22,761	22,840	22,840	-	-
Bank loans	67,468	68,584	56,035	8,080	4,469	126,025	129,952	82,507	32,274	15,171
Finance lease liabilities	6,191	6,268	3,842	2,426	-	19,583	19,962	13,638	3,875	2,449
Bank overdrafts	-	-	-	-	-	65	65	65	-	-
	200,724	201,978	187,003	10,506	4,469	257,782	262,167	208,398	36,149	17,620

	2010					2009				
	Balance sheet 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	Balance sheet 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
Derivative settled gross:										
Forward foreign exchange contracts (note 25(d)):	894					-				
- outflow		(12,366)	(12,366)	-	-		-	-	-	-
- inflow		11,539	11,539	-	-		-	-	-	-
	894	(12,366)	(12,366)	-	-	-	-	-	-	-

The Company

	2010					2009				
	Balance sheet 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	Balance sheet 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	461	461	461	-	-	361	361	361	-	-

(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.

	2010		2009	
	Effective interest rate	\$'000	Effective interest rate	\$'000
	%		%	
Variable rate borrowings:				
Finance lease liabilities	1.47	6,191	1.60	19,583
Bank overdrafts	–	–	6.25	65
Bank loans	2.92	67,468	3.77	126,025
Bills payable	2.31	21,311	2.77	22,761
		<u>94,970</u>		<u>168,434</u>

(ii) Sensitivity analysis

At 31st March 2010 it is estimated that a general increase/decrease of 100 (2009: 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 \$783,000 (2009: \$1,380,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. The analysis is performed on the same basis for 2009.

(d) Currency risk

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 the sales 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 would be receivable from the bank. If the exchange rate of USD to RMB appreciates above the contracted rate at the settlement date, an amount would be payable by the Group. The

amount payable by the Group would be a function of the settlement amount and the 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 31st March 2010, the fair value of the Contract amounted to \$230,000 (asset) (2009: \$Nil), which was recognised under trade debtors, prepayments and deposits in the consolidated balance sheet.

In January 2010, the Group entered into a contract to purchase a set of machinery at a total consideration of EUR1,460,000 (equivalent to approximately \$16,000,000). A non-refundable deposit of 10% of the consideration had been paid in cash on signing of the purchase contract with the remaining 90% to be satisfied in cash. The Group had entered into forward exchange contracts ("FX Contracts") with a view to hedging the said transaction. As at 31st March 2010, the fair value of the FX Contracts amounted to \$894,000 (liability) (2009: \$Nil), which was recognised under trade creditors and accrued charges in the consolidated balance sheet.

All of the above forward contracts do not qualify for hedge accounting and were therefore 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.

(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. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2010		2009	
	United States Dollars \$'000	Euros \$'000	United States Dollars \$'000	Euros \$'000
Cash and cash equivalents	16,536	16	4,038	–
Trade debtors, prepayments and deposits	29,270	–	54,498	–
Trade creditors and accrued charges	(8,243)	(397)	(6,192)	–
Bills payable	(652)	–	(4,689)	–

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2010		2009	
	United States Dollars \$'000	Euros \$'000	United States Dollars \$'000	Euros \$'000
Exposure arising from recognised assets and liabilities	36,911	(381)	47,655	–
Notional amounts of forward foreign exchange contracts used as economic hedges	(12,366)	11,539	–	–
Overall net exposure	<u>24,545</u>	<u>11,158</u>	<u>47,655</u>	<u>–</u>

(ii) *Sensitivity analysis*

At 31st March 2010, it is estimated that a general increase/decrease of 5% in the Euro exchange rate, assuming all other risk variables remained constant, would have increased/decreased the Group's profit after taxation and retained profits by approximately \$561,000 (2009: \$Nil). In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2009.

(e) **Fair values**(i) *Fair values estimation*

Amounts due from subsidiaries and related company are interest-free and have no fixed terms of repayment. Given such terms, it is not meaningful to disclose their fair values.

All other financial assets and liabilities are carried at amounts not materially different from their fair values as at 31st March 2010 and 2009.

(ii) *Financial instruments carried at fair value*

The following table represents the carrying value of the financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The Group

	2010
	Level 2
	\$'000
Assets	
Derivative financial instruments	230
	<u>230</u>
Liabilities	
Derivative financial instruments	894
	<u>894</u>

(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.

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

26 COMMITMENTS(a) **Capital commitments outstanding at 31st March 2010 not provided for in the financial statements were as follows:**

	The Group	
	2010	2009
	\$'000	\$'000
Contracted for	19,373	733
	<u>19,373</u>	<u>733</u>

- (b) At 31st March 2010, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	The Group	
	2010	2009
	\$'000	\$'000
Within one year	2,107	2,373
After one year but within five years	8,788	10,716
After five years	11,293	11,380
	22,188	24,469

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.

27 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 \$5,386,000 (2009: \$7,718,000) are charged to the consolidated income statement.

28 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 amounted to \$11,065,000 (2009: \$10,916,000), under normal commercial terms. Amounts due from such companies at 31st March 2010 amounted to \$1,849,000 (2009: \$1,708,000).
- (ii) During the year, the Group sold packaging products to a related company and received rental income amounted to \$245,000 (2009: \$Nil) and \$134,000 (2009: \$Nil) respectively, under normal commercial terms. The related company is controlled by certain Directors of the Company.
- (iii) During the year, the Group sold packaging products to a related company amounted to \$61,000 (2009: \$Nil), under normal commercial terms. The directors of the related company are close family members of a Director of the Company.

- (iv) 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 2010 are as follows:

	2010 \$'000	2009 \$'000
Obligations under finance leases	6,191	11,706

Net book value of machines under the finance leases amounted to \$16,999,000 as at 31st March 2010 (2009: \$20,132,000).

Total finance costs payable to the bank for the above facilities amounted to \$166,000 for the year ended 31st March 2010 (2009: \$570,000).

(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.

29 ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company at 31st March 2010 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.

30 NON-ADJUSTING POST BALANCE SHEET EVENT

After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 23(b) to the financial statements.

31 ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(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.

(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 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 the Directors. Any increase or decrease in the recognition of deferred tax assets would affect the Group's profit or loss in future years.

32 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 year's presentation and to provide comparative amounts in respect of items disclosed for the first time in the financial statements for the year ended 31st March 2010. Further details of these developments are disclosed in note 2.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST MARCH 2010

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31st March 2010 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HKFRS 3 (Revised), <i>Business combinations</i>	1st July 2009
Amendments to HKAS 27, <i>Consolidated and separate financial statements</i>	1st July 2009
Amendments to HKAS 39, <i>Financial instruments: Recognition and measurement – Eligible hedged items</i>	1st July 2009
HK(IFRIC) 17, <i>Distributions of non-cash assets to owners</i>	1st July 2009
Improvements to HKFRSs 2009	1st July 2009 or 1st January 2010

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. INDEBTEDNESS

Borrowings

As at the close of business on 31st July 2010 (being the latest practicable date for the purpose of this indebtedness statement), the Group had outstanding borrowings of approximately HK\$112 million, comprising secured bank borrowings of approximately HK\$69 million, unsecured bank borrowings of approximately HK\$15 million, bills payable of approximately HK\$24 million and obligations under finance lease repayable of approximately HK\$4 million.

Charges

As at the close of business on 31st July 2010, fixed assets of approximately HK\$106 million and trade debtors of approximately HK\$45 million were pledged to secure certain banking facilities of the Group.

Guarantees

As at the close of business on 31st July 2010, the Company had provided corporate guarantees to the extent of approximately HK\$214 million to secure general banking facilities granted to its subsidiaries. As at 31st July 2010, the amount drawn against the banking facilities amounted to approximately HK\$101 million.

Disclaimer

Apart from intra-group liabilities and save as aforesaid, the Group did not have outstanding indebtedness at the close of business on 31st July 2010 or any loan capital issued and outstanding or agreed to issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities.

4. MATERIAL CHANGE

Save for the revaluation of properties of the Group by RHL Appraisal Limited as at 31st July 2010 as disclosed in Appendix III to this Composite Document and the revaluation surplus of approximately HK\$32.4 million arising from the excess of such revaluation as at 31st July 2010 over the corresponding carrying values based on the unaudited consolidated management accounts of the Group as at 31st July 2010, and after deduction of the estimated taxes and expenses on disposal of such properties of the Group, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31st March 2010, the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date. The Group adopted the historical cost basis to account for the properties according to the Group's accounting policies as disclosed in the Group's latest annual financial statements as included in Appendix II of this Composite Document. As at the Latest Practicable Date, the Group has no intention to revise the accounting policies in respect of the properties owned by the Group. Consequently, no revaluation surplus relating to such revaluation of the properties of the Group will be recognised in future financial statements of the Group.

Set out below are the texts of a letter, summary of values and valuation certificates, received from RHL Appraisal Limited, independent property valuers, in connection with their valuation as at 31st July 2010 of the property interests of the Group.



永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory

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Room 1010, 10/F, Star House
Tsimshatsui, Hong Kong

Licence No: C-015672

30 September 2010

The Board of Directors
New Island Printing Holdings Limited
New Island Printing Centre,
38 Wang Lee Street,
Yuen Long Industrial Estate,
New Territories,
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to your instruction for us to value the property interests held by New Island Printing Holdings Limited (the “Company”) and its subsidiaries (the “Group”) located in Hong Kong and the People’s Republic of the China (the “PRC”). We confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31st July 2010 (the “Valuation Date”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

VALUATION METHODOLOGY

In valuing the property interests of residential units in Group I, which are held by the Group in the PRC, we have valued the property interests by using the Direct Comparison Approach by making reference to the comparable market transactions as available and where appropriate, on the basis of capitalization of the net income shown on the documents handed to us. We have allowed for outgoings and, in appropriate case, made provisions for reversionary income potential.

For the remaining property interests in Group I and the property interest in Group II, which are held by the Group in the PRC and Hong Kong. Due to the specific purposes for which the buildings and structures have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures cannot be valued on the basis of Direct Comparison Approach. They have therefore been valued on the basis of their depreciated replacement costs. We would define “depreciated replacement cost” for this purpose to be our opinion of the land value in its existing use and an estimate of the new replacement costs of the buildings and structures, including professional fees and finance charges, from which deductions are then made to allow for age, condition and functional obsolescence. The Depreciated Replacement Cost Approach generally provides the most reliable indication of value for property in the absence of a known market based on comparable sales.

For the property interests in Group III, which are leased by the Group in the PRC, we have attributed no commercial value to the property interests due to inclusion of non-alienation clause or otherwise due to lack of substantial profit rent as at the Valuation Date.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, Rule 11 of the Hong Kong Code on Takeovers and Mergers issued by Securities and Futures Commission and the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1st January 2005.

We were advised by the Company's PRC legal adviser, Grandall Legal Group (Shanghai), that the transferable land use rights in respect of the properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We were also advised by the Company's PRC legal adviser that the owners of the properties have enforceable titles to the properties and have free land uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted. We have taken into account the above in undertaking our valuation.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the property interests and have caused searches for the property located in Hong Kong. We have not examined the original documents to verify the existing title to the property interests or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Group and the Company's PRC legal adviser concerning the validity of the Group's title to the property interests.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot infestation or any other defects. No tests were carried out on any of the services. We have also not carried out investigations on site to determine the suitability of the ground conditions and the services etc., for any future development. Our valuation is prepared on the basis that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate. No on-site measurement has been taken.

We have relied to a considerable extent on information provided by the Group and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

The potential tax liability which would arise on the disposal of the property interests held by the Group mainly includes stamp duty (ranging from HKD100 to 4.25%) for Hong Kong properties; and business tax (5%), stamp duty (0.05%), land appreciation tax (ranging from 30% to 60%) and corporate income tax (25%) for the PRC's properties. As there is no intention expressed from the Company that the property interests held by the Group will be disposed in the foreseeable future, it is unlikely that such tax liability will be crystallized in the foreseeable future. In the course of our valuations, we have not taken into account such taxes.

Currency

We have valued the property interests in Hong Kong Dollars (HKD). The conversion of Renminbi (RMB) into HKD is based on the factor of RMB 1.00 to HKD 1.1463 with reference to the prevailing exchange rate on the Valuation Date.

Our summary of values and valuation certificates are herewith attached.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau

FBKIS, AAPI, MRICS, RPS(GP), MBA(HKU)

Managing Director

Thomas H.M. Lam

MHKIS, MRICS, RPS(GP), MHKSI, MSc, BSc(Hons)

Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 19 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Mr. Thomas H.M. Lam is a Registered Professional Surveyor (GP) with 10 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Mr. Lam is a Professional Member of The Royal Institution of Chartered Surveyors and a Member of The Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

Group I – Property interests held by the Group in the PRC

Property	Capital Value in existing state as at 31st July 2010 HKD
1. An industrial complex located at Jinjie Village, Dalingshan Town, Dongguan, Guangdong Province, the PRC	93,200,000
2. An industrial complex located at 1550 Rongle East Road, Songjiang District, Shanghai, the PRC	31,400,000
3. An industrial complex located at 18 Baoyi Road, Songjiang District, Shanghai, the PRC	23,700,000
4. An industrial complex located at 28 Baoyi Road, Songjiang District, Shanghai, the PRC	5,540,000
5. Units No. 101, 102 and 202 on Levels 1-2, 151 Lantian Xincun, 3 Rongle East Road, Songjiang District, Shanghai, the PRC	2,650,000

Property	Capital Value in existing state as at 31st July 2010 HKD
6. Unit No. 2002 on Level 20, Huicui Garden, Block 3, 737 Caoxi North Road, Xuhui District, Shanghai, the PRC	3,860,000
Sub-total:	160,350,000

Group II – Property interests held by the Group in Hong Kong

Property	Capital Value in existing state as at 31st July 2010 HKD
7. New Island Printing Centre, 38 Wang Lee Street, Yuen Long Industrial Estate, New Territories, Hong Kong	102,000,000
Sub-total:	102,000,000

Group III – Property interests leased by the Group in the PRC

Property	Capital Value in existing state as at 31st July 2010 <i>HKD</i>
8. Unit 04 on Level 35, Block C, Tower 2, Dongfang Jianqiao, Zhenning Road, Changning District, Shanghai, the PRC	No commercial value
9. A dormitory and ancillary facilities situated in Technology Industrial Zone, Dalingshan Town, Dongguan, Guangdong Province, the PRC	No commercial value
Sub-total:	Nil.
Total:	262,350,000

VALUATION CERTIFICATE

Group I – Property interests held by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July 2010 HKD
1. An industrial complex located at Jinjie Village, Dalingshan Town, Dongguan, Guangdong Province, the PRC	The property comprises two parcels of land with a total site area of approximately 106,021.55 sq.m. (1,141,216 sq.ft.) on which 6 industrial building completed in about 2002 erected thereon. The buildings of the property has a total gross floor area of approximately 47,469.34 sq.m. (510,960 sq.ft.) The land use rights of the property has been granted for terms with the latest one expiring on 29th December 2055 for industrial use.	The property is occupied by the Group for industrial use.	93,200,000 (RMB81,300,000)

Notes:

- Pursuant to 2 State-owned Land Use Rights Certificates – Dong Fu Guo Yong (2002) Zi Te No. 150 and Dong Fu Guo Yong (2007) Te No. 534, the land use rights of the property with a total site area of approximately 106,021.55 sq.m. were granted to Dongguan New Island Printing Company Limited (“DNIP”), a wholly-owned subsidiary of the Company, for industrial use. The details of such certificates are listed below:

State-owned Land Use Rights Certificates	Approximate site area (sq.m.)	Land use term expiry date	Use
Dong Fu Guo Yong (2002) Zi Te No. 150	56,663.30	5th March 2052	Industrial
Dong Fu Guo Yong (2007) Te No. 534	49,358.25	29th December 2055	Industrial

- Pursuant to 6 Real Estate Title Certificates – Yue Fang Di Zheng Zi Nos. C1365379-C1365382 and Yue Fang Di Quan Zheng Guan Zi Nos. 1900163169 and 1900163170, the building ownerships of the property with a total gross floor area of approximately 47,469.34 sq.m. are vested in DNIP for industrial use.
- We have consulted the Group’s PRC legal adviser regarding the title of the property and were advised that:
 - the property is legally held by DNIP;
 - DNIP is entitled to freely use, transfer, lease or mortgage the property within the land use term; and
 - the property is free from any mortgage, sealing orders or third parties’ encumbrance as at 10th September 2010.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July 2010 HKD
2. An industrial complex located at 1550 Rongle East Road, Songjiang District, Shanghai, the PRC	The property comprises 2 parcels of land with a total site area of approximately 28,474.60 sq.m. (306,501 sq.ft.) on which 4 industrial buildings completed in 1997 erected thereon. The buildings of the property have a total gross floor area of approximately 17,605.00 sq.m. (189,500 sq.ft.) The land use rights of the property has been granted for terms of 50 years for industrial use.	The property is occupied by the Group for industrial use.	31,400,000 (RMB27,400,000)

Notes:

- Pursuant to 2 Shanghai Real Estate Title Certificates – Hu Fang Di Song Zi (2010) Nos. 026499 and 027381, the land use rights of the property with a total site area of approximately 28,474.60 sq.m. were granted to Shanghai New Island Packaging Printing Company Limited (“SNIP”), a wholly-owned subsidiary of the Company, for industrial use and the building ownerships of the property with a total gross floor area of approximately 17,605.00 sq.m. are vested in SNIP. The details of which are as follows:

Shanghai Real Estate Title Certificates	Approximate site area (sq.m.)	Approximate gross floor area (sq.m.)	Land use term
Hu Fang Di Song Zi (2010) No. 027381	11,985.60	8,598.00	17th April 1997 to 16th April 2047
Hu Fang Di Song Zi (2010) No. 026499	16,489.00	9,007.00	31st December 1994 to 30th December 2044

- We have consulted the Group’s PRC legal adviser regarding the title of the property and were advised that:
 - the property is legally held by SNIP;
 - SNIP is entitled to freely use, transfer, lease or mortgage the property within the land use term; and
 - portions of the property with a gross floor area of approximately 9,007.00 sq.m. and a site area of approximately 16,489.00 sq.m. are subject to a mortgage in favor of Bank of Communications Co., Ltd. – Shanghai Songjiang Branch for securing a loan in the maximum principal amount of RMB19,000,000 whilst the remaining portion of the property is free from any mortgage, charge and third parties’ encumbrance as at 8th September 2010.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July 2010 HKD
3. An industrial complex located at 18 Baoyi Road, Songjiang District, Shanghai, the PRC	The property comprises a parcel of land with a site area of approximately 12,711.70 sq.m. (136,829 sq.ft.) on which an industrial building completed in about 2009 erected thereon. The building of the property has a gross floor area of approximately 13,364.43 sq.m. (143,855 sq.ft.) The land use rights of the property has been granted for a term of 50 years commencing on 13th July 2002 and expiring on 12th July 2052 for industrial use.	The property is occupied by the Group for industrial use.	23,700,000 (RMB20,700,000)

Notes:

- Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Song Zi (2009) No. 004598, the land use rights of the property with a site area of approximately 12,711.70 sq.m. were granted to New Island (Shanghai) Paper Products Company Limited (“NISPP”), a wholly-owned subsidiary of the Company, for a term commencing on 13th July 2002 and expiring on 12th July 2052 for industrial use and the building ownership of the property with a gross floor area of approximately 13,364.43 sq.m. is vested in NISPP.
- We have consulted the Group’s PRC legal adviser regarding the title of the property and were advised that:
 - the property is legally held by NISPP;
 - NISPP is entitled to freely use, transfer, lease or mortgage the property within the land use term; and
 - the property is free from any mortgage, charge or third parties’ encumbrance as at 8th September 2010.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July 2010 HKD
4. An industrial complex located at 28 Baoyi Road, Songjiang District, Shanghai, the PRC	The property comprises a parcel of land with a site area of approximately 5,518.00 sq.m. (59,396 sq.ft.) on which an industrial building completed in about 2004 erected thereon. The building of the property has a gross floor area of approximately 2,522.00 sq.m. (27,147 sq.ft.) The land use rights of the property has been granted for a term expiring on 10th August 2052 for industrial use.	The property is occupied by the Group for industrial use.	5,540,000 (RMB4,830,000)

Notes:

- Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Song Zi (2004) No. 002566, the land use rights of the property with a site area of approximately 5,518.00 sq.m. were granted to New Island (Shanghai) Paper Products Company Limited (“NISPP”), a wholly-owned subsidiary of the Company, for a term expiring on 10th August 2052 for industrial use and the building ownership of the property with a gross floor area of approximately 2,522.00 sq.m. is vested in NISPP.
- We have consulted the Group’s PRC legal adviser regarding the title of the property and were advised that:
 - the property is legally held by NISPP;
 - NISPP is entitled to freely use, transfer, lease or mortgage the property within the term of land use; and
 - the property is free from any mortgage, charge or third parties’ encumbrance as at 8th September 2010.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July 2010 HKD
5. Units No. 101, 102 and 202 on Levels 1-2, Levels 1-2, 151 Lantian Xincun, 3 Rongle East Road, Songjiang District, Shanghai, the PRC	The property comprises 3 residential units on Levels 1-2 of a 7-storey residential building completed in 1990s. The property has a total gross floor area of approximately 264.30 sq.m. (2,845 sq.ft.) The land use rights of the property has been granted for a term commencing on 25th March 1997 and expiring on 12th September 2065 for residential use.	The property is occupied by the Group for residential use.	2,650,000 (RMB2,310,000)

Notes:

- Pursuant to 3 Shanghai Real Estate Title Certificates – Hu Fang Di Shi Zi (1997) Nos. 001435 and 001436, and Hu Fang Di Shi Zi (1998) No. 000042, the building ownerships of the property with a total gross floor area of approximately 264.30 sq.m. are vested in Shanghai New Island Packaging Printing Company Limited (“SNIP”), a wholly-owned subsidiary of the Company.
- We have consulted the Group’s PRC legal adviser regarding the title of the property and were advised that:
 - the property is legally held by SNIP;
 - SNIP is entitled to freely use, transfer, lease or mortgage the property within the term of land use; and
 - the property is free from any mortgage, charge or third parties’ encumbrance as at 8th September 2010.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July 2010 HKD
6. Unit No. 2002 on Level 20, Huicui Garden, Block 3, 737 Caoxi North Road, Xuhui District, Shanghai, the PRC	The property comprises a residential unit on Level 20 of a 30-storey residential building completed in 2003. The property has a gross floor area of approximately 115.18 sq.m. (1,240 sq.ft.) The land use rights of the property has been granted for residential use.	The property is occupied by the Group for residential use.	3,860,000 (RMB3,370,000)

Notes:

1. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Xu Zi (2003) No. 032886, the building ownership of the property with a gross floor area of approximately 115.18 sq.m. is vested in Shanghai New Island Packaging Printing Company Limited (“SNIP”), a wholly-owned subsidiary of the Company.
2. We have consulted the Group’s PRC legal adviser regarding the title of the property and were advised that:
 - (i) the property is legally held by SNIP;
 - (ii) SNIP is entitled to freely use, transfer, lease or mortgage the property within the term of land use; and
 - (iii) the property is free from any mortgage, charge or third parties’ encumbrance as at 8th September 2010.

VALUATION CERTIFICATE

Group II – Property interest held by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st July 2010 HKD
7. New Island Printing Centre, 38 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong	The property comprises a parcel of land with a total site area of approximately 10,589.57 sq.m. (113,986 sq.ft.) on which a 3-storey industrial/ office building completed in 1990's erected thereon.	Portions of the property with a total gross floor area of approximately 136,377.00 sq.ft. is subject to a tenancy agreement for a term of 1 year commencing on 1st November 2009 and expiring on 31st October 2010 at a monthly rental of HKD 564,230.00 whilst the remaining portion of the property is occupied by the Group for industrial/office use.	102,000,000
Sublease of Sub-section 2 of Section D of Yuen Long Town Lot No. 313 and extension thereto	As advised by the Company, the total gross floor area of the property is approximately 15,085.13 sq.m. (162,376 sq.ft.)		
	The property is held under sublease for a term commencing on 21st August 1992 and expiring on 27th June 2047.		

Notes:

1. The registered owner of the property is New Island Printing Company Limited (sub-lease), a wholly-owned subsidiary of the Company, vide memorial no. YL670747.
2. Pursuant to a Tenancy Agreement entered into between New Island Printing Co., Ltd. (the "Lessor") and Schenker International (H.K.) Ltd. (the "Lessee"), portions of the property with a total gross floor area of approximately 136,377.00 sq.ft. are leased to the Lessee for an 1 year term commencing on 1st November 2009 and expiring on 31st October 2010 at a monthly rental of HKD 564,230.
3. The property is subject to a mortgage to secure general banking facilities for all moneys vide memorial no. YL933773.

VALUATION CERTIFICATE

Group III – Property interests leased by the Group in the PRC

Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 31st July 2010 HKD
8. Unit 04 on Level 35, Block 2, Tower 2, Dongfang Jianqiao, Zhenning Road, Changning District, Shanghai, the PRC	The property comprises a residential unit of a 30-storey residential building completed in 2001. The property has a gross floor area of approximately 109.52 sq.m. (1,179 sq.ft.) The property is leased to the Group from Hu Jiong Ming (胡尚明), an independent third party, for a term of 1 year commencing on 16th September 2010 and expiring on 15th September 2011. (Please refer to Notes below for details)	The property is occupied by the Group for residential use.	No commercial value

Notes:

1. Pursuant to a tenancy agreement and its supplemental agreement entered into between Hu Jiong Ming (the “Lessor”) and Shanghai New Island Packaging Printing Company Limited (the “Lessee”), a wholly-owned subsidiary of the Company, the property with a gross floor area of approximately 109.52 sq.m. has been leased to the Lessee for a term of 1 year commencing on 16th September 2010 and expiring on 15th September 2011 at a monthly rental of RMB10,000.
2. We have consulted the Group’s PRC legal adviser regarding the validity of the mentioned tenancy agreement and were advised that:
 - i. the property is legally held by the Lessor as at 8th September 2010;
 - ii. the Lessor has the rights to lease the property to the Lessee; and
 - iii. the tenancy agreement and its supplemental agreement is valid and legally binding on both parties under the PRC laws.

Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 31st July 2010 HKD
9. A dormitory and ancillary facilities situated in Technology Industrial Zone, Dalingshan Town, Dongguan, Guangdong Province, the PRC	The property comprises a dormitory and ancillary facilities situated in Technology Industrial Zone of Dalingshan Town completed in 2000. The property has a gross floor area of approximately 13,493.59 sq.m. (145,245 sq.ft.) The property is leased to the Group from Dongguan Dalingshan Town Industrial Zone Development Company Limited (東莞市大嶺山鎮工業園開發有限公司), an independent third party, for terms with the latest one expiring on 31st December 2019. (Please refer to Notes below for details)	The property is occupied by the Group for residential use.	No commercial value

Notes:

1. Pursuant to a tenancy agreement and its supplement agreement entered into between Dongguan Dalingshan Town Industrial Zone Development Company Limited (the "Lessor") and Dongguan New Island Printing Company Limited (the "Lessee"), a wholly-owned subsidiary of the Company, the property with a gross floor area of approximately 13,493.59 sq.m. has been leased to the Lessee for terms expiring on 30th December 2019 and 31st December 2019 at a total initial monthly rental of approximately RMB148,400 with increment of 10% for each five years.
2. We have consulted the Group's PRC legal adviser regarding the validity of the mentioned tenancy agreement and were advised that:
 - i. the Lessor of the property has not obtained the relevant building ownership certificate of the property;
 - ii. the tenancy agreement has not been registered;
 - iii. the Lessor does not has the rights to lease the property to the Lessee;
 - iv. the lease of the property has legal defect and may be unprotected under the PRC laws; and
 - v. the Lessee may not be entitled to use the leased property within the term of lease and may be subject to penalties from relevant government authorities or claims from other third parties.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that in relation to the Offeror and parties acting in concert with it, the terms and conditions of the Offer, intention of the Offeror regarding the Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those opinions expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information in relation to the Offeror and parties acting in concert with it, the terms and conditions of the Offer and the intention of the Offeror regarding the Group, contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those opinions expressed by the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. CORPORATE INFORMATION OF THE COMPANY

The Company is incorporated in Bermuda with limited liability. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is at New Island Printing Centre, 38 Wang Lee Street, Yuen Long Industrial Estate, New Territories, Hong Kong. The company secretary of the Company is Mr. Sinn Wai Kin, Derek.

3. SHARE CAPITAL OF THE COMPANY

Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Shares		HK\$
<i>Authorised:</i>		
380,000,000	Authorised share capital of HK\$38,000,000 divided into 380,000,000 Shares	38,000,000
<i>Issued and fully paid:</i>		
222,529,000	Issued and paid up share capital of HK\$22,252,900 divided into 222,529,000 Shares	22,252,900

Since 31st March 2010 (being the date to which the Company's latest published audited accounts were prepared) and up to the Latest Practicable Date, no new Shares have been issued by the Company. All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to rights in respect of dividends, voting and capital.

As at the Latest Practicable Date, the Company did not have any outstanding warrants or options or other conversion rights affecting the Shares.

4. DISCLOSURE OF INTERESTS

(a) Interests of the Directors in the Shares or securities of the Company

As at the Latest Practicable Date, the interests of the Directors in the Shares were as follows:

Name of Director	Nature of interest	Number of Shares interested	Approximate percentage of the existing issued share capital of the Company
Mr. Ting Woo Shou, Kenneth, SBS, JPB	Beneficial owner	205,000	0.092%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had interests in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company.

(b) Interests of the Offeror, the sole director of the Offeror and parties acting in concert with any of them in the Shares or securities of the Company

As at the Latest Practicable Date, the interests of the Offeror, its sole director and parties acting in concert with the Offeror in the Shares were as follows:

Name of Shareholders	Nature of interest	Number of Shares interested	Approximate percentage of the existing issued share capital of the Company
The Offeror	Beneficial owner	165,000,000	74.148%
Bingo Wealth	Interest of controlled corporation (Note 1)	165,000,000	74.148%
Mr. Suen	Interest of controlled corporation (Note 2)	165,000,000	74.148%

Notes:

1. These interests are held by the Offeror which is wholly-owned by Bingo Wealth. Bingo Wealth is taken to be interested in all the Shares in which the Offeror is interested by virtue of the SFO.
2. These interests are held by the Offeror which is wholly-owned by Bingo Wealth. Bingo Wealth is wholly-owned by Mr. Suen, who is also the sole director of the Offeror. Mr. Suen is taken to be interested in all the Shares in which Bingo Wealth is interested by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, its sole director and parties acting in concert with the Offeror was interested in and did not own or control any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company.

(c) Service contracts

Each of Mrs. Cheong So Ka Wai, Patsy and Mrs. Fung So Ka Wah, Karen has entered into a service agreement (with more than 12 months to run irrespective of the notice period) with the Company. Brief particulars of the service agreements are summarised below:

- (a) their terms of appointment are for a term of 2 years until 18th May 2012, which may be terminated by either party giving to the other three months' written notice;

- (b) the amount of fixed remuneration per annum, excluding arrangements for pension payments, for each of Mrs. Cheong So Ka Wai, Patsy and Mrs. Fung So Ka Wah, Karen was HK\$650,000 which has been revised to HK\$780,000 with effect from 1st July 2010; and
- (c) each of Mrs. Cheong So Ka Wai, Patsy and Mrs. Fung So Ka Wah, Karen is also entitled to an annual management bonus of a sum to be determined by the Board at its absolute discretion having regard to the operating results of the Group and the performance of the Director.

Each of the executive Directors will enter into a service contract with the Company in relation to his/her appointment as a consultant of the Company on the earliest date on which their respective resignations as directors may take effect under the Takeovers Code, as disclosed in the section “Change of board composition of the Company” in the “Letter from Kingston Securities”.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries or associated companies in force which:

- (i) (including continuous and fixed term contracts) was entered into or amended within six months before the date of the Joint Announcement;
- (ii) was a continuous contract with a notice period of 12 months or more; or
- (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period.

(d) Other interests

As at the Latest Practicable Date,

- (i) none of the Company or any of the Directors held any interest in any shares or any securities, convertible securities, warrants, options or derivatives in respect of any shares or securities of the Offeror;
- (ii) no subsidiary of the Company, or any pension fund of the Company or of any member of the Group owned or controlled any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (iii) none of the advisers named under the section headed “Qualifications and Consents” in this Appendix or any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code, owned or controlled any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;

- (iv) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company;
- (v) none of the Company nor any of the Directors had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (vi) none of the Offeror nor the parties acting in concert with it had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company.

6. DEALINGS IN SECURITIES

- (a) During the Relevant Period,
 - (i) save for the transactions contemplated under the Share Purchase Agreement which were completed on 10th September 2010, none of the Offeror nor parties acting in concert with it had dealt in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
 - (ii) save for the transactions contemplated under the Share Purchase Agreement which were completed on 10th September 2010, the sole director of the Offeror had not dealt in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
 - (iii) save for the transactions contemplated under the Share Purchase Agreement which were completed on 10th September 2010, none of the Company and the Directors dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company; and
 - (iv) none of the Company and the Directors had dealt for value in any shares or any convertible securities, warrants, options or derivatives in respect of the Offeror.
- (b) During the period commencing from the date of the Joint Announcement and ending on the Latest Practicable Date:
 - (i) no subsidiary of the Company, or any pension fund of the Company or of any member of the Group had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;

- (ii) none of the advisers named under the section headed “Qualifications and Consents” in this Appendix or any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code, had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (iii) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company;
- (iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any person acting in concert with the Offeror; and
- (v) save for the Share Purchase Agreement, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Company, or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code, and any other person.

7. OTHER AGREEMENTS OR ARRANGEMENTS RELATING TO THE OFFER

As at the Latest Practicable Date:

- (a) save for the Share Purchase Agreement, there were no agreements or arrangements to which the Offeror or Mr. Suen was a party which relate to the circumstances in which it might or might not invoke or seek to invoke a condition to the Offer;
- (b) none of the Offeror, Mr. Suen or parties acting in concert with any of them has received any irrevocable commitment to accept the Offer; and
- (c) Mr. Ting Woo Shou, Kenneth, SBS, JP had indicated that he intended, in respect of his holding in the Shares, to accept the Offer.

8. MARKET PRICES

- (a) The highest and lowest closing prices of the Shares quoted on the Stock Exchange during the Relevant Period were HK\$2.21 per Share on 14th September 2010 and HK\$0.74 per Share on 7th May 2010, 10th May 2010 and 8th June 2010, respectively.
- (b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

	Closing price (HK\$)
26th February 2010	0.76
31st March 2010	0.88
30th April 2010	0.83
31st May 2010	0.76
30th June 2010	0.81
30th July 2010	1.32
19th August 2010 (being the Last Trading Day)	1.50
31st August 2010	2.18
28th September 2010 (being the Latest Practicable Date)	2.20

9. LITIGATION

No member of the Group was engaged in any litigation or arbitration or claims of material importance, and no such litigation or arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group, as at the Latest Practicable Date.

10. MATERIAL CONTRACTS

No material contracts were entered into by any member of the Group after the date 2 years before the commencement of the Offer Period up to and including the Latest Practicable Date, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group.

11. QUALIFICATIONS AND CONSENTS

The following is the qualifications of the experts who have given opinions or advice which are contained or referred to in this Composite Document:

Name	Qualification
Kingston Corporate Finance Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Kingston Securities	a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO
Mitsubishi UFJ	a registered institution authorised to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
RHL Appraisal Limited	professional property valuer

Each of Kingston Corporate Finance Limited, Kingston Securities, Mitsubishi UFJ and RHL Appraisal Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, report and/or references to its name, in the form and context in which it appears.

12. GENERAL

- (a) As at the Latest Practicable Date, save for the consideration paid to the executive Directors and the service contracts to be entered into by the executive Directors with the Company in relation to their appointment as consultants of the Company pursuant to the Share Purchase Agreement, no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, save for the sale and purchase of the Sale Shares under the Share Purchase Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer.
- (c) As at the Latest Practicable Date, save for the sale and purchase of the Sale Shares under the Share Purchase Agreement, there was no agreement or arrangement between any of the Directors and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (d) As at the Latest Practicable Date, no person who owned or controlled Shares has irrevocably committed to accepting or rejecting the Offer.

- (e) As at the Latest Practicable Date, save for the Share Purchase Agreement, there was no material contract to which the Offeror is a party in which any Director had a material personal interest.
- (f) On Completion, the Offeror issued an unsecured promissory note (the “**Guaranteed Note**”) for the principal amount of HK\$130,000,000 to Ka Chau Enterprises (B.V.I.) Limited, one of the Vendors, for settlement of part of the consideration payable by the Offeror under the Share Purchase Agreement. The obligations of the Offeror under the Guaranteed Note were guaranteed by Mr. Suen. The Guaranteed Note shall be repayable on 10th March 2012, being the date falling 18 months after the date of Completion, and bears interest at an interest rate of 2.1% per month. The Offeror shall have the right to prepay the whole or any part of the amount due under the Guaranteed Note at any time before the expiry of the said 18-month period without paying any penalty, prepayment charges or other fees by giving Ka Chau Enterprises (B.V.I.) Limited a notice in writing of not less than 7 days. If the Offeror repays the whole of the principal amount of the Guaranteed Note at the end of the said 18-month period, the aggregate principal and interest payable by the Offeror under the Guaranteed Note shall amount to HK\$179,140,000. Under the Share Purchase Agreement, the Offeror has undertaken to the Vendors that during the period commencing from the date of Completion and ending on the date on which all outstanding amount under the Guaranteed Note has been fully paid, it will not dispose of nor create or permit to arise or exist any Encumbrance over any of 145,200,000 Shares transferred to and registered in the name of the Offeror upon Completion, and any securities, cash and other assets derived directly or indirectly therefrom. The Share Purchase Agreement also provides for those 145,200,000 Shares to be held by an escrow agent during the said period. In addition, all Shares to be acquired by the Offeror under the Offer by the use of the standby facilities provided by Kingston Securities shall be deposited to the margin account opened by the Offeror with Kingston Securities from time to time as collateral for the standby facilities, and shall be released to the Offeror upon full repayment of all the outstanding amount of the standby facilities (including all the outstanding principal amount, accrued interest, fees and charges) by the Offeror to Kingston Securities. Save as aforesaid, the Offeror has no intention to transfer, charge or pledge the Shares acquired in pursuance with the Offer to any other persons.
- (g) The registered office of the Offeror is at Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror in Hong Kong is Suite 1501, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (h) The principal parties acting in concert with the Offeror are Mr. Suen and Bingo Wealth. The correspondence address of Mr. Suen and Bingo Wealth is at Suite 1501, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (i) The registered office of Kingston Securities is at 2801, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

- (j) The registered office of Kingston Corporate Finance Limited, the financial adviser of the Offeror, is at 2801, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (k) The registered office of Mitsubishi UFJ is at Level 30, Three Pacific Place, 1 Queen's Road East, Hong Kong.
- (l) The registered office of RHL Appraisal Limited is at Room 1010, 10th Floor, Star House, Tsimshatsui, Hong Kong.
- (m) The English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text in the case of inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 9:00 a.m. to 5:00 p.m.) on Monday to Friday, except for public holidays, at (i) the principal place of business of the Company at New Island Printing Centre, 38 Wang Lee Street, Yuen Long Industrial Estate, New Territories, Hong Kong; and (ii) on the website of the SFC (www.sfc.hk) and the website of the Company at (www.newisland.com) for so long as the Offer remains open for acceptance during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual reports of the Company for the two years ended 31st March 2009 and 31st March 2010, respectively;
- (d) the letter from Kingston Securities as set out on pages 7 to 14 of this Composite Document;
- (e) the letter from the Board as set out on pages 15 to 18 of this Composite Document;
- (f) the letter from the Independent Board Committee as set out on pages 19 and 20 of this Composite Document;
- (g) the letter from Mitsubishi UFJ as set out on pages 21 to 39 of this Composite Document;
- (h) the letter, summary of valuation and valuation certificate received from RHL Appraisal Limited as set out on pages III-1 to III-16 of this Composite Document;
- (i) the written consents from the experts referred to in the paragraph headed "Qualifications and Consents" in this Appendix; and
- (j) each service agreement referred to in the paragraph headed "Disclosure of interests – service contracts" in this Appendix.