



# **NEW ISLAND PRINTING HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 377)**

## **新 洲 印 刷 集 團 有 限 公 司**

*(於百慕達註冊成立之有限公司)*

**(股份代號：377)**

### **2010 / 2011 INTERIM REPORT**

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# NEW ISLAND PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

## INTERIM REPORT 2010/2011

### CORPORATE INFORMATION

#### EXECUTIVE DIRECTORS

Mr. Lo Ming Chi, Charles, JP\*  
(Chairman and Chief Executive director)\*\*\*  
Ms. Chan Yuk Yee\*  
Mr. Dai Zhongcheng<sup>△△</sup>  
Madam So Chau Yim Ping, BBS, JP\*\*  
Mrs. Fung So Ka Wah, Karen\*\*  
Mrs. Cheong So Ka Wai, Patsy\*\*  
Mr. So Wah Sum, Conrad\*\*

#### NON-EXECUTIVE DIRECTOR

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

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Man Tin, David<sup>△△</sup>  
Mr. Pun Chi Ping\*\*\*  
Mr. Hui Yin Fat, O.B.E., JP\*\*  
Mr. She Chiu Shun, Ernest<sup>△</sup>  
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP<sup>△</sup>  
Dr. Wong Yun Kuen\*\*\*

#### COMPANY SECRETARY

Mr. Sinn Wai Kin, Derek

#### AUDIT COMMITTEE

Mr. Pun Chi Ping\*\*\*, Chairman<sup>△△</sup>  
Mr. Hui Yin Fat, O.B.E., JP\*\*  
Mr. Ip Man Tin, David<sup>△△</sup>  
Mr. She Chiu Shun, Ernest<sup>△</sup>  
Mr. Ting Woo Shou, Kenneth, SBS, JP\*\*  
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP<sup>△</sup>  
Dr. Wong Yun Kuen\*\*\*

#### REMUNERATION COMMITTEE

Mr. Lo Ming Chi, Charles, JP (Chairman)\*\*\*  
Madam So Chau Yim Ping, BBS, JP\*\*  
Mrs. Cheong So Ka Wai, Patsy\*\*  
Mr. Hui Yin Fat, O.B.E., JP\*\*  
Mr. Ip Man Tin, David<sup>△△</sup>  
Mr. Pun Chi Ping\*\*\*  
Mr. She Chiu Shun, Ernest<sup>△</sup>  
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP<sup>△</sup>  
Dr. Wong Yun Kuen\*\*\*

#### SOLICITORS

Woo, Kwan, Lee & Lo

#### AUDITORS

KPMG

#### PRINCIPAL BANKERS

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

#### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

#### HEAD OFFICE

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

#### HONG KONG SHARE REGISTRARS

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

#### STOCK CODE

377

#### WEBSITE

<http://www.newisland.com>

\* appointed on 30th September, 2010

\*\* resigned on 21st October, 2010

\*\*\* appointed on 21st October, 2010

△ resigned on 5th November, 2010

△△ appointed on 5th November, 2010

## INTERIM RESULTS

The board of directors (“the Board”) of New Island Printing Holdings Limited (“the Company”) announces the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30th September, 2010 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th September, 2010 — unaudited*

*(Expressed in Hong Kong dollars)*

		Six months ended 30th September,	
	Note	2010 \$'000	2009 \$'000
<b>Turnover</b>	3&4	<b>317,490</b>	296,292
Cost of sales		<b>249,655</b>	(230,356)
		<b>67,835</b>	65,936
Other revenue		<b>4,029</b>	5,457
Other net gain/(loss)		<b>603</b>	(723)
Selling and distribution costs		<b>(19,722)</b>	(16,043)
Administrative expenses		<b>(34,061)</b>	(31,628)
<b>Profit from operations</b>		<b>18,684</b>	22,999
Finance costs	5(a)	<b>(1,199)</b>	(2,154)
<b>Profit before taxation</b>	5	<b>17,485</b>	20,845
Income tax	6	<b>(3,314)</b>	(7,634)
<b>Profit for the period</b>		<b>14,171</b>	13,211
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>13,781</b>	12,594
Non-controlling interests		<b>390</b>	617
<b>Profit for the period</b>		<b>14,171</b>	13,211
<b>Earnings per share</b>			
— Basic	8(a)	<b>6.19 cents</b>	5.66 cents
— Diluted	8(b)	<b>6.19 cents</b>	5.66 cents

*The notes on pages 8 to 18 form part of this interim financial report.*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended 30th September, 2010 — unaudited*  
*(Expressed in Hong Kong dollars)*

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
<b>Profit for the period</b>	<b>14,171</b>	13,211
<b>Other comprehensive income for the period:</b>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of nil tax	<b>5,731</b>	1,060
<b>Total comprehensive income for the period</b>	<b>19,902</b>	14,271
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>19,527</b>	13,668
Non-controlling interests	<b>375</b>	603
<b>Total comprehensive income for the period</b>	<b>19,902</b>	14,271

*The notes on pages 8 to 18 form part of this interim financial report.*

**CONSOLIDATED BALANCE SHEET***At 30th September, 2010 — unaudited**(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>At 30th September, 2010</b>		At 31st March, 2010	
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
				(restated)	(restated)
<b>NON-CURRENT ASSETS</b>					
Fixed assets	9				
— Property, plant and equipment		<b>326,941</b>		321,566	
— Interest in leasehold land held for own use under operating leases		<b>28,867</b>		29,532	
			<b>355,808</b>		351,098
Deposits for purchase of machinery			<b>1,882</b>		2,432
			<b>357,690</b>		353,530
<b>CURRENT ASSETS</b>					
Inventories	10	<b>79,008</b>		66,838	
Trade debtors, prepayments and deposits	11	<b>126,379</b>		97,634	
Cash and cash equivalents		<b>33,772</b>		50,902	
		<b>239,159</b>		215,374	
<b>CURRENT LIABILITIES</b>					
Bank loans	12	<b>67,830</b>		67,468	
Obligations under finance leases	13	<b>3,198</b>		3,780	
Trade creditors and accrued charges	14	<b>127,436</b>		106,648	
Bills payable		<b>24,054</b>		21,311	
Current taxation payable		<b>8,375</b>		13,027	
		<b>230,893</b>		212,234	
<b>NET CURRENT ASSETS</b>			<b>8,266</b>		3,140
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>365,956</b>		356,670

**CONSOLIDATED BALANCE SHEET***At 30th September, 2010 — unaudited (Continued)**(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>At 30th September, 2010</b>		At 31st March, 2010	
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
				(restated)	(restated)
<b>NON-CURRENT LIABILITIES</b>					
Obligations under finance leases	13	808		2,411	
Deferred taxation		10,548		11,772	
			(11,356)		(14,183)
<b>NET ASSETS</b>			<b>354,600</b>		342,487
<b>CAPITAL AND RESERVES</b>					
Share capital	15	22,253		22,253	
Reserves		331,821		320,083	
Total equity attributable to equity shareholders of the Company		354,074		342,336	
Non-controlling interests		526		151	
<b>TOTAL EQUITY</b>			<b>354,600</b>		342,487

*The notes on pages 8 to 18 form part of this interim financial report.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 30th September, 2010 — unaudited**  
*(Expressed in Hong Kong dollars)*

	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Statutory surplus reserve	Exchange reserve	Other reserves	Retained profits			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1st April, 2009	22,253	37,741	20,680	41,512	4,890	192,359	319,435	—	319,435
Changes in equity for the six months ended 30th September, 2009									
Dividends approved in respect of previous financial year ( <i>note 7</i> )	—	—	—	—	—	(6,676)	(6,676)	—	(6,676)
Total comprehensive income for the period	—	—	—	1,074	—	12,594	13,668	603	14,271
Balance at 30th September, 2009, and 1st October, 2009	22,253	37,741	20,680	42,586	4,890	198,277	326,427	603	327,030
Changes in equity for the six months ended 31st March, 2010									
Total comprehensive income for the period	—	—	—	4,255	—	11,654	15,909	(452)	15,457
Transfer to statutory surplus reserve	—	—	2,222	—	—	(2,222)	—	—	—
Balance at 31st March, 2010	22,253	37,741	22,902	46,841	4,890	207,709	342,336	151	342,487
Balance at 1st April, 2010	22,253	37,741	22,902	46,841	4,890	207,709	342,336	151	342,487
Changes in equity for the six months ended 30th September, 2010									
Dividends approved in respect of previous financial year ( <i>note 7</i> )	—	—	—	—	—	(7,789)	(7,789)	—	(7,789)
Total comprehensive income for the period	—	—	—	5,746	—	13,781	19,527	375	19,902
Balance at 30th September, 2010	22,253	37,741	22,902	52,587	4,890	213,701	354,074	526	354,600

*The notes on pages 8 to 18 form part of this interim financial report.*

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
*For the six months ended 30th September, 2010 — unaudited*  
*(Expressed in Hong Kong dollars)*

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
<b>Cash generated from operations</b>	<b>20,475</b>	50,029
<b>Tax paid</b>	<b>(9,326)</b>	(3,658)
<b>Net cash generated from operating activities</b>	<b>11,149</b>	46,371
<b>Net cash used in investing activities</b>	<b>(18,112)</b>	(3,108)
<b>Net cash used in financing activities</b>	<b>(11,054)</b>	(59,296)
<b>Net decrease in cash and cash equivalents</b>	<b>(18,017)</b>	(16,033)
<b>Cash and cash equivalents at 1st April</b>	<b>50,902</b>	47,627
<b>Effect of foreign exchange rates changes</b>	<b>887</b>	64
<b>Cash and cash equivalents at 30th September</b>	<b>33,772</b>	31,658
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at bank and in hand	<b>33,772</b>	32,669
Less: Pledged bank deposit	–	(1,011)
Cash and cash equivalents in the balance sheet and the cash flow statement	<b>33,772</b>	31,658

*The notes on pages 8 to 18 form part of this interim financial report.*



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise stated)

### 1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 26th November, 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

This interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and by the independent auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of interim financial information performed by the independent auditor of the entity*”, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 19.

The financial information relating to the financial year ended 31st March, 2010 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st March, 2010 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in the independent auditor’s report dated 23rd July, 2010.

### 2. CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*
- Amendments to HKAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*
- Improvements to HKFRS (2009)
- HK(IFRIC) 17, *Distributions of non-cash assets to owners*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. However, as discussed in note 20, the Group has noted the conclusion of the HKICPA as set out in draft Interpretation 5 and has represented comparative amounts as a result. Further details are set out in note 20.

## 2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The amendments to HKAS 39 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The other developments listed above resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC) 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.
- As a result of the amendment to HKAS 17, *Leases*, arising from the *Improvements to HKFRSs (2009)* omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the leases transfer significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate.

## 3. SEGMENT REPORTING

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

- Dongguan and Hong Kong: printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products
- Shanghai: printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. 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.

### 3. SEGMENT REPORTING (CONTINUED)

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

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

For the six months ended 30th September,	Dongguan and Hong Kong		Shanghai		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue from external customers	221,598	206,979	95,892	89,313	317,490	296,292
Inter-segment revenue	12,330	10,679	563	3,544	12,893	14,223
<b>Reportable segment revenue</b>	<b>233,928</b>	217,658	<b>96,455</b>	92,857	<b>330,383</b>	310,515
<b>Reportable segment profit</b>	<b>7,923</b>	6,752	<b>6,371</b>	7,168	<b>14,294</b>	13,920
	At 30th September 2010 \$'000	At 31st March 2010 \$'000	At 30th September 2010 \$'000	At 31st March 2010 \$'000	At 30th September 2010 \$'000	At 31st March 2010 \$'000
Reportable segment assets	358,622	344,156	252,745	239,239	611,367	583,395
Reportable segment liabilities	213,687	196,972	43,080	43,936	256,767	240,908

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

	Six months ended 30th September,	
	2010 \$'000	2009 \$'000
<b>Revenue</b>		
Reportable segment revenue	330,383	310,515
Elimination of inter-segment revenue	(12,893)	(14,223)
Consolidated turnover	317,490	296,292
<b>Profit</b>		
Reportable segment profit	14,294	13,920
Elimination of inter-segment profits	(123)	(709)
Consolidated profit	14,171	13,211

### 3. SEGMENT REPORTING (CONTINUED)

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

	At 30th September, 2010 \$'000	At 31st March, 2010 \$'000
<b>Assets</b>		
Reportable segment assets	611,367	583,395
Elimination of inter-segment receivables	(14,518)	(14,491)
Consolidated total assets	<b>596,849</b>	568,904
<b>Liabilities</b>		
Reportable segment liabilities	256,767	240,908
Elimination of inter-segment payables	(14,518)	(14,491)
Consolidated total liabilities	<b>242,249</b>	226,417

### 4. TURNOVER

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

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

### 5. PROFIT BEFORE TAXATION

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

	Six months ended 30th September, 2010 \$'000	2009 \$'000
<i>(a) Finance costs:</i>		
Finance charges on obligations under finance leases	41	150
Interest on bank loans and overdrafts	1,158	2,004
	<b>1,199</b>	2,154
<i>(b) Other items:</i>		
Cost of inventories sold	249,655	230,356
Depreciation		
— owned assets	16,555	11,917
— assets held under finance leases	1,598	5,864
Amortisation of land lease premium	486	327
Net (gain)/loss on forward foreign exchange contracts	(589)	580
Loss/(Gain) on disposal of fixed assets	50	(191)
Impairment loss on trade debtors reversed	—	(581)

## 6. INCOME TAX

	<b>Six months ended 30th September,</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
<i>Current tax</i>		
Provision for Hong Kong Profits Tax	<b>1,872</b>	5,044
Provision for income tax outside Hong Kong	<b>2,678</b>	4,099
	<b>4,550</b>	9,143
<i>Deferred tax</i>		
Origination and reversal of temporary differences	<b>(1,236)</b>	(1,509)
	<b>3,314</b>	7,634

The provision for Hong Kong Profits Tax for the period was calculated at 16.5% (six months ended 30th September, 2009: 16.5%) of the estimated assessable profits for the period.

Income tax for subsidiaries outside Hong Kong is calculated at the appropriate current rates for taxation ruling in the relevant countries.

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

## 7. DIVIDENDS

- (a) No interim dividend will be paid for the six months ended 30th September, 2010 (six months ended 30th September, 2009: Nil). Final dividends, if any, will be proposed at the year end.
- (b) Dividends attributable to the previous financial year, approved and paid during the interim period:

	<b>Six months ended 30th September,</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Final dividend in respect of the financial year ended 31st March, 2010, approved and paid during the interim period of HK3.5 cents per share (2009: in respect of the financial year ended 31st March, 2009 — HK3.0 cent per share)	<b>7,789</b>	6,676

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company for the period of \$13,781,000 (six months ended 30th September, 2009: \$12,594,000) and on the weighted average number of ordinary shares of 222,529,000 (six months ended 30th September, 2009: 222,529,000 ordinary shares) in issue during the period.

### (b) Diluted earnings per share

There were no dilutive potential ordinary shares during the six months ended 30th September, 2010 and 2009, and diluted earnings per share is the same as basic earnings per share.

## 9. FIXED ASSETS

During the six months ended 30th September, 2010, the Group acquired items of fixed assets with cost totalling \$20,277,000 (six months ended 30th September, 2009: \$1,071,000).

## 10. INVENTORIES

During the six months ended 30th September, 2010, \$2,215,000 (six months ended 30th September, 2009: \$4,884,000) has been recognised as a reduction in the amount of inventories as an expense in profit or loss during the period, being the amount of a write-down of inventories to estimated net realisable value.

## 11. TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

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

	<b>At 30th September, 2010 \$'000</b>	At 31st March, 2010 \$'000
Current	<b>107,673</b>	84,227
Less than one month past due	<b>9,928</b>	256
One to three months past due	<b>509</b>	5,767
More than three months past due	<b>222</b>	433
	<b>118,332</b>	90,683

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

## 12. BANK LOANS

At 30th September, 2010, bank loans were repayable as follows:

	<b>At 30th September, 2010 \$'000</b>	At 31st March, 2010 \$'000 (restated)
Within one year or on demand	<b>67,830</b>	67,468

Notwithstanding the specified repayment schedules as stated in the banking facilities letters which allow the bank loans to be repaid over a period of more than one year, the banking facilities granted to the Group include a clause that gives the bank the unconditional rights to call the bank loans at any time. With regard to the draft Interpretation 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*, the Group's bank loans with such clause as at 30th September, 2010 were classified as current liabilities in the consolidated balance sheet. The reclassification is applied retrospectively.

## 12. BANK LOANS (CONTINUED)

Based on the specified repayment schedule set out in the banking facilities letters, the bank loans are expected to be repayable as follows:

	<b>At 30th September, 2010 \$'000</b>	At 31st March, 2010 \$'000
Within one year or on demand	<b>55,210</b>	55,188
After one year but within two years	<b>9,120</b>	7,920
After two years but within five years	<b>3,500</b>	4,360
	<b>12,620</b>	12,280
	<b>67,830</b>	67,468

At 30th September, 2010, bank loans were secured as follows:

	<b>At 30th September, 2010 \$'000</b>	At 31st March, 2010 \$'000
Bank loans		
— secured	<b>51,830</b>	49,318
— unsecured	<b>16,000</b>	18,150
	<b>67,830</b>	67,468

Certain banking facilities and loans granted to the Group are secured by the Group's fixed assets and trade debtors with an aggregate carrying value of \$144,173,000 at 30th September, 2010 (31st March, 2010: \$120,767,000). Assets pledged under such facilities are as follows:

	<b>At 30th September, 2010 \$'000</b>	At 31st March, 2010 \$'000
Fixed assets	<b>95,395</b>	97,535
Trade debtors	<b>48,778</b>	23,232
	<b>144,173</b>	120,767

At 30th September, 2010, the above secured banking facilities amounted to \$148,078,000 (31st March, 2010: \$118,815,000). The facilities were utilised to the extent of \$67,215,000 at 30th September, 2010 (31st March, 2010: \$57,360,000), comprising bank loans of \$51,830,000 (31st March, 2010: \$49,318,000) and bills payable of \$15,385,000 (31st March, 2010: \$8,042,000).

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet and profitability ratios, total equity and the amount of capital expenditure incurred, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30th September, 2010, none of the covenants relating to the drawn down facilities was breached.

### 13. OBLIGATIONS UNDER FINANCE LEASES

At 30th September, 2010, the Group had obligations under finance leases payable as follows:

	At 30th September, 2010			At 31st March, 2010		
	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000
Within one year	3,198	46	3,244	3,780	62	3,842
After one year but within two years	808	3	811	2,411	15	2,426
	<b>4,006</b>	<b>49</b>	<b>4,055</b>	<b>6,191</b>	<b>77</b>	<b>6,268</b>

### 14. TRADE CREDITORS AND ACCRUED CHARGES

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

	At 30th September, 2010 \$'000	At 31st March, 2010 \$'000
Current and less than one month past due	71,199	47,786
One to three months past due	7,118	9,116
More than three months past due	2,632	989
	<b>80,949</b>	<b>57,891</b>



## 15. SHARE CAPITAL

	<b>No. of shares</b> '000	<b>Amount</b> \$'000
Authorised shares of \$0.1 each:		
At 31st March, 2010 and 30th September, 2010	380,000	38,000
Issued and fully paid shares of \$0.1 each:		
At 31st March, 2010 and 30th September, 2010	222,529	22,253

## 16. COMMITMENTS

Capital commitments outstanding at 30th September, 2010, not provided for in the interim financial report:

	<b>At 30th September,</b> <b>2010</b> \$'000	At 31st March, 2010 \$'000
Contracted for	<b>274</b>	19,373

## 17. MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with related companies

- (i) During the period, the Group sold packaging products to companies which are controlled by a Non-Executive Director totalling \$6,024,000 (six months ended 30th September, 2009: \$8,225,000), under normal commercial terms. Amounts due from such companies at 30th September, 2010 amounted to \$3,644,000 (31st March, 2010: \$1,849,000).
- (ii) The Group acquired certain machines under finance leases and obtained overdraft facilities from a bank, a director of which who is also a close family member of a director of the Company. Outstanding amounts of the Group's liabilities to the bank as at 30th September, 2010 are as follows:

	<b>At 30th September,</b> <b>2010</b> \$'000	At 31st March, 2010 \$'000
Obligations under finance leases	<b>4,006</b>	6,191

Net book value of machines under the finance leases amounted to \$9,496,000 as at 30th September, 2010 (31st March, 2010: \$16,999,000).

Total finance costs payable to the bank for the overdraft facilities and finance lease charges amounted to \$41,000 for the six months ended 30th September, 2010 (six months ended 30th September, 2009: \$110,000).

## 17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Key management personnel remuneration

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

	Six months ended 30th September,	
	2010	2009
	\$'000	\$'000
Short-term employee benefits	3,468	3,541
Post-employment benefits	136	100
	<hr/>	<hr/>
	3,604	3,641

## 18. FINANCIAL INSTRUMENTS

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

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

In May 2010, the Group entered into another non-deliverable structured forward contract ("Second Contract") with a bank. The total notional amount of the Second Contract is US\$12,000,000 with twelve equal monthly settlement amounts commencing April 2011. On each settlement day, if the exchange rate of USD to RMB is at or depreciate below the contracted rate, a fixed amount of US\$10,000 will be receivable from the bank. If the exchange rate of USD to RMB appreciate above the contracted rate at the settlement date, an amount will be payable by the Group. The amount payable by the Group will be a function of the settlement amount and the difference between the contracted rate and the exchange rate of USD to RMB at the settlement date.

As at 30th September, 2010, the fair value of the above Contracts amounted to \$539,000 (asset) (31st March, 2010: \$230,000 (asset)), which was recognised under trade debtors, prepayments and deposits in the consolidated balance sheet.

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 such gains would be sufficient to cover any amount payable under the Contract and the Second Contract.

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

Other aspects of the Group's financial risk management policies and practices are consistent with those disclosed in the Company's statutory financial statements for the year ended 31st March, 2010.

## 19. NON-ADJUSTING POST BALANCE SHEET EVENT

On 2nd November, 2010, the Company and Kingston Securities Limited (“Kingston Securities”) entered into a placing agreement pursuant to which the Company has conditionally agreed to place, through Kingston Securities on a best effort basis, up to 44,000,000 Placing Shares (“Placing Shares”) to not fewer than six placees who and whose ultimate beneficial owners are independent third parties, at a price of \$2.3 per Placing Share. The placing has been completed on 17th November, 2010.

On 18th November, 2010, the authorised share capital of the Company was \$38,000,000 divided into 380,000,000 shares of \$0.1 each, of which 266,529,000 shares were issued and fully paid or credited as fully paid. In order to accommodate for future expansion and growth of the Company, the directors proposed to increase the existing authorised share capital of the Company to \$400,000,000 divided into 4,000,000,000 shares of \$0.1 each (equivalent to 40,000,000,000 subdivided shares) by the creation of an additional 3,620,000,000 unissued shares of \$0.1 each (equivalent to 36,200,000,000 subdivided shares). The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by shareholders at a special general meeting to be held on 20 December 2010. No shareholder is required to abstain from voting on such resolution.

On the same date, the directors further proposed that each of the existing issued and unissued Shares of \$0.10 in the share capital of the Company be subdivided into ten subdivided shares of \$0.01 each (“Share Subdivision”). The Share Subdivision will become effective upon the fulfillment of certain conditions. The subdivided shares will rank *pari passu* in all respects with each other and the Share Subdivision will not result in any change in the rights of the shareholders.

## 20. COMPARATIVE FIGURES

On 8th September, 2010 the HKICPA issued draft Interpretation 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*. This draft interpretation is expected to be effective immediately upon finalisation and sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time should be classified as a current liability in accordance with paragraph 69(d) of HKAS 1, *Presentation of Financial Statements*, irrespective of the probability that the lender will invoke the clause without cause.

With due regard to the above conclusion and with effect from the current financial reporting period, the Group has classified those loans which give the lender the unconditional right to call the loan at any time as a current liability in the consolidated balance sheet. Previously such loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

Comparative figures have been adjusted to conform to the current period’s presentation.

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

*(Incorporated in Bermuda with limited liability)*

**Introduction**

We have reviewed the interim financial report set out on pages 2 to 18 which comprises the consolidated balance sheet of New Island Printing Holdings Limited as at 30th September, 2010 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and the explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

**Scope of review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30th September, 2010 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

**KPMG**

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

26th November, 2010

## BUSINESS REVIEW AND OUTLOOK

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

During the six months ended 30th September, 2010 (“Review Period”), the Group reported a turnover of approximately HK\$317.5 million, as compared with approximately HK\$296.3 million for the six months ended 30th September, 2009 (“Corresponding Period”). Profit before taxation and profit attributable to equity shareholders during the Review Period were approximately HK\$17.5 million and approximately HK\$13.8 million, as compared with approximately HK\$20.8 million and approximately HK\$12.6 million for the Corresponding Period.

With the global economy slowly heads back in a positive direction from the financial meltdown, turnover increased by approximately 7.2% to approximately HK\$317.5 million during the Review Period. The increase in turnover was mainly due to increase in customer demand on the back of the gradual economic recovery of the United States. Gross profit margin, however, slightly decreased to approximately 21.4% during the Review Period. The increase in turnover has partially offset by the increase in labour costs. Accordingly, gross profit slightly increased by a percentage of approximately 2.9% to approximately HK\$67.8 million during the Review Period.

In line with the increase in turnover, selling and distribution costs during the Review Period increased by approximately 22.9% to approximately to HK\$19.7 million. On a percentage basis, the increase in selling and distribution costs was significantly larger than the increase in turnover. In addition to the increase in sales commission paid, the increase in freight costs associated with the recovery of global economy has exerted a greater impact to the costs. Under the continued cost control measures against economic inflation, administrative expenses has increased by approximately 7.7% to approximately HK\$34.1 million during the Review Period, which was mainly resulted from the increase in one-off legal and professional fee of approximately HK\$1.7 million.

Meanwhile, working capital funding requirements were cut down substantially with the Group’s improving financial position and continued effective credit control in place. Coupled with the stringent cash flow management, finance costs decreased by approximately 44.3% to approximately HK\$1.2 million during the Review Period.

As a result of the combined effects of the foregoing, profit before taxation during the Review Period fell by approximately 16.1% to approximately HK\$17.5 million. With income tax decreasing broadly with the fall in profit before taxation and after deducting non-controlling interests of an overseas subsidiary, profit attributable to equity shareholders increased by approximately 9.4% to approximately HK\$13.8 million during the Review Period.

The outlook of the Group for the second half of the year ending 31st March, 2011 continues to be challenging. While the global economy has been showing positive signs and evidence of recovering, inflation generally increases in tandem with the recovery in a faster pace. The Group will therefore continue to adopt efficacious cost management strategies and maintain tight inventory control and credit control to cope with challenges and enhance competitiveness under the difficult operating environment.

## FINANCIAL AND CAPITAL RESOURCES

During the Review Period, the Group expended approximately HK\$20.3 million cash on fixed asset investments. These investments and the daily operating activities of the Group were funded by retained earnings and bank borrowings and by the cash flow generated from the Group's operations.

As at 30th September, 2010, the Group had bank borrowings, which were either denominated in Hong Kong dollars or Chinese Renminbi, totaling approximately HK\$95.9 million (31st March, 2010: HK\$95.0 million). Of these borrowings, approximately HK\$67.2 million (31st March, 2010: HK\$57.4 million) were secured by fixed assets and trade debtors with an aggregate carrying value in the Group's balance sheet as at 30th September, 2010 of approximately HK\$144.2 million (31st March, 2010 HK\$120.8 million). The net debt-to-capital ratio (defined as total interest-bearing borrowings less cash and cash equivalents divided by total equity) of the Group as at 30th September, 2010 was approximately 17.5% (31st March, 2010: 12.9%).

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

## STAFF

As at 30th September, 2010, the Group had a total staff of 2,383 (31st March, 2010: 2,695) of which 2,324 (31st March, 2010: 2,633) were employed in the PRC for the Group's manufacturing and distribution businesses.

The Group provides employee benefits such as staff insurance, retirement schemes and discretionary bonus and also provides in-house training programmes and external training sponsorship. The Group aims to design a remuneration policy that attracts and retains employees needed to run the Group successfully and to motivate employees to pursue appropriate growth strategies whilst taking into account the performance of the individuals. The remuneration of the Directors is reviewed by the Remuneration Committee. Their remuneration should reflect, inter alia, the performance and responsibilities of the Directors.

## INTERIM DIVIDEND

The Board resolved not to pay an interim dividend for the six months ended 30th September, 2010 (2009: Nil).

## CORPORATE GOVERNANCE

The Company has complied with the code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six months period ended 30th September, 2010.

Subsequent to the Period ended, Mr. Lo Ming Chi, Charles has been appointed as the Chairman and Chief Executive Officer of the Company. The corresponding deviation in *Code Provision A.2.1 – Chairman and Chief Executive Officer* is explained below.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer (the "CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The Company has deviated from the Code Provision in this respect in that Mr. Lo Ming Chi, Charles is both the chairman and CEO of the Company. The respective responsibilities of the chairman and the CEO, however, are clearly set out in writing and approved by the Board. Given the Group's current stage of development, the Board considers that vesting the roles of chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes the effectiveness of its operation. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## AUDIT COMMITTEE

During the period, the audit committee comprises three Independent Non-Executive Directors and a Non-Executive Director and reports directly to the Board. The audit committee meets regularly with the Group’s senior management and the Company’s external auditors to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company. After the period ended, one of the Independent Non-Executive Directors and a Non-Executive Director resigned and ceased to be the members of the audit committee on 21st October, 2010 and two remaining Independent Non-Executive Directors also resigned and ceased to be the members of the audit committee on 5th November, 2010. Meanwhile, two Independent Non-Executive Directors have been appointed and become the members of the audit committee on 21st October, 2010 and one Independent Non-Executive Director has been appointed and become the members of the audit committee on 5th November, 2010.

Currently, the audit committee comprises three Independent Non-Executive Directors and reports directly to the Board. The audit committee has reviewed the interim results of the Group for the six months ended 30th September, 2010.

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

The Directors and chief executive of the Company who held office as at 30th September, 2010 had the following interests in the shares of the Company, subsidiaries and other associated corporations of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) at that date as recorded in the register of Directors’ and chief executive’s interests and short positions required to be kept under section 352 of the SFO:

### (a) Interests in issued shares of the Company

Name of Directors	Nature of interest	Long/Short position	Ordinary shares of HK\$0.1 each	
			Total number of shares held	% of total issued shares at 30th September, 2010
Mr. Ting Woo Shou, Kenneth, SBS, JP	Beneficial owner	Long position	205,000	0.092%

As at 30th September, 2010, apart from the foregoing, none of the Directors and chief executive of the Company or any of their spouses or children under the age of 18 had interests or short positions in the shares, underlying shares or debentures of the Company or subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) on 28th September, 2007. The purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to Executive or Non-Executive Directors including Independent Non-Executive Directors or any employees (whether full-time or part-time) of each member of the Group (the “Participants”) and for such other purpose as the Board may approve from time to time. Details of the Scheme are set out in the 2010 annual report of the Company. The Scheme shall remain valid and effective until 27th September, 2017.

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

## SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30th September, 2010, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company), who have interests or short positions in the shares of the Company or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, are as follows:

Name	Capacity/Nature of interest	Long/Short position	Total number of shares held	% of total issued shares at 30th September, 2010
Plus Wealthy Limited (“Plus Wealthy”)	Beneficial owner	Long position	165,000,000	74.148%
Bingo Wealth Holdings Limited (“Bingo Wealth”)	Interests of controlled corporation	Long position	165,000,000 <sup>(note 1)</sup>	74.148%
Mr. Suen Cho Hung, Paul (“Mr. Suen”)	Interests of controlled corporation	Long position	165,000,000 <sup>(note 2)</sup>	74.148%

### Notes:

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

Save as disclosed above, no other interest or short position in the shares and underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO as at 30th September, 2010.



## **ARRANGEMENT TO PURCHASE SHARES**

Apart from the Scheme as disclosed above, at no time during the six months ended 30th September, 2010 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or the chief executive of the Company, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

During the six months ended 30th September, 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

## **COMPOSITION OF BOARD**

As at the date of this report, the Board comprises Mr. Lo Ming Chi, Charles, JP (Chairman and Chief Executive Officer), Ms. Chan Yuk Yee and Mr. Dai Zhongcheng as Executive Directors and Mr. Ip Man Tin, David, Mr. Pun Chi Ping and Dr. Wong Yun Kuen as Independent Non-Executive Directors.

By Order of the Board

**LO Ming Chi, Charles**

*Chairman and Chief Executive Officer*

Hong Kong, 26th November, 2010