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## **NEW ISLAND PRINTING HOLDINGS LIMITED**

**新洲印刷集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 377)**

### **RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011**

#### **ANNUAL RESULTS**

The board of directors (“the Board”) of New Island Printing Holdings Limited (“the Company”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (“the Group”) for the year ended 31<sup>st</sup> March, 2011 together with comparative figures for the year ended 31<sup>st</sup> March, 2010.

*\* For identification purpose only*

## CONSOLIDATED INCOME STATEMENT

<i>For the year ended 31<sup>st</sup> March,</i>	<i>Note</i>	<i>2011</i> HK\$'000	<i>2010</i> HK\$'000
<b>Turnover</b>	3 & 4	570,333	519,452
Cost of sales		<u>(462,777)</u>	<u>(397,624)</u>
<b>Gross profit</b>		107,556	121,828
Other revenue		9,378	9,814
Other net gain/(loss)		1,375	(311)
Selling and distribution costs		(33,965)	(32,975)
Administrative expenses		<u>(61,458)</u>	<u>(57,765)</u>
<b>Profit from operations</b>		22,886	40,591
Finance costs	5(a)	<u>(2,306)</u>	<u>(3,553)</u>
<b>Profit before taxation</b>	5	20,580	37,038
Income tax	6	<u>(4,188)</u>	<u>(12,639)</u>
<b>Profit for the year</b>		16,392	24,399
		=====	=====
<b>Attributable to:</b>			
Equity shareholders of the Company		16,316	24,248
Non-controlling interests		<u>76</u>	<u>151</u>
<b>Profit for the year</b>		16,392	24,399
		=====	=====
<b>Earnings per share</b>	8		<i>(Restated)</i>
Basic		0.68 cents	1.09 cents
Diluted		0.68 cents	1.09 cents
		=====	=====

Details of the dividend payable and proposed for the year are disclosed in note 7.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>For the year ended 31<sup>st</sup> March,</i>	<i>2011</i> HK\$'000	<i>2010</i> HK\$'000
<b>Profit for the year</b>	16,392	24,399
<b>Other comprehensive income for the year:</b>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of nil tax	<u>11,052</u>	<u>5,329</u>
<b>Total comprehensive income for the year</b>	27,444 =====	29,728 =====
<b>Attributable to:</b>		
Equity shareholders of the Company	27,383	29,577
Non-controlling interests	<u>61</u>	<u>151</u>
<b>Total comprehensive income for the year</b>	27,444 =====	29,728 =====

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<i>As at 31<sup>st</sup> March, 2011 HK\$'000</i>	<i>As at 31<sup>st</sup> March, 2010 HK\$'000 (Restated)</i>	<i>As at 1<sup>st</sup> April, 2009 HK\$'000 (Restated)</i>
<b>Non-current assets</b>				
Fixed assets				
- Property, plant and equipment		255,942	321,566	354,162
- Interests in leasehold land held for own use under operating leases		18,793	29,532	30,315
		<u>274,735</u>	<u>351,098</u>	<u>384,477</u>
Deposits for purchases of machinery		4,684	2,432	-
Deferred tax assets		648	-	-
		<u>280,067</u>	<u>353,530</u>	<u>384,477</u>
<b>Current assets</b>				
Inventories		98,798	66,838	67,672
Trade debtors, prepayments and deposits	9	102,460	97,634	97,120
Non-current assets held for sale	10	76,230	-	-
Current tax recoverable		-	-	29
Pledged bank deposits		-	-	1,011
Cash and cash equivalents		100,620	50,902	47,692
		<u>378,108</u>	<u>215,374</u>	<u>213,524</u>
<b>Current liabilities</b>				
Bank loans and overdrafts		41,128	67,468	109,070
Obligations under finance leases		2,413	3,780	13,375
Trade creditors and accrued charges	11	121,183	106,648	89,348
Bills payable		17,669	21,311	22,761
Current tax payable		4,318	13,027	4,552
		<u>186,711</u>	<u>212,234</u>	<u>239,106</u>
<b>Net current assets/(liabilities)</b>		<u>191,397</u>	<u>3,140</u>	<u>(25,582)</u>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	<i>As at 31<sup>st</sup> March, 2011 HK\$'000</i>	<i>As at 31<sup>st</sup> March, 2010 HK\$'000 (Restated)</i>	<i>As at 1<sup>st</sup> April, 2009 HK\$'000 (Restated)</i>
<b>Total assets less current liabilities</b>		<u>471,464</u>	<u>356,670</u>	<u>358,895</u>
<b>Non-current liabilities</b>				
Bank loans		-	-	17,020
Obligations under finance leases		-	2,411	6,208
Deferred tax liabilities		<u>10,752</u>	<u>11,772</u>	<u>16,232</u>
		10,752	14,183	39,460
<b>NET ASSETS</b>		<u>460,712</u>	<u>342,487</u>	<u>319,435</u>
 <b>CAPITAL AND RESERVES</b>				
Share capital	12	26,653	22,253	22,253
Reserves		<u>433,847</u>	<u>320,083</u>	<u>297,182</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<u>460,500</u>	<u>342,336</u>	<u>319,435</u>
<b>Non-controlling interests</b>		<u>212</u>	<u>151</u>	<u>-</u>
<b>TOTAL EQUITY</b>		<u>460,712</u>	<u>342,487</u>	<u>319,435</u>

## NOTES

### 1. Basis of preparation

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 31<sup>st</sup> March, 2011 but are extracted from those financial statements. The 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. The 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").

### 2. Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two 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 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*
- Amendment to HKAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*
- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, *Distributions of non-cash assets to owners*
- HK (Int) 5, *Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause*

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

## 2. Changes in accounting policies (continued)

The amendment to HKAS 39 has had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. Except for the application of HK (Int) 5, the other developments 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.

Other details of these changes in accounting policy are as follows:

- 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 lease transfers substantially 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, with the exception of those interests which are registered and transferable ownership interests in land located in the Hong Kong Special Administrative Region and subject to the government's land policy of renewal without payment of additional land premium. These leasehold interests will no longer be classified by the Group as operating leases as the Group considers that it is in a position economically similar to that of a purchaser. This change in accounting policy has no material impact on the current or previous periods as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

## **2. Changes in accounting policies (continued)**

- In November 2010 the HKICPA issued Hong Kong Interpretation 5 – *Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause*. This Interpretation is effective immediately on issuance 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.

In order to comply with the requirements of Interpretation 5, the Group has changed its accounting policy on classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the balance sheet. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan 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.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1<sup>st</sup> April, 2009 and 2010, with consequential reclassification adjustments to comparatives for the year ended 31<sup>st</sup> March, 2010. Bank loans of HK\$12,280,000 and HK\$28,950,000 as at 31<sup>st</sup> March, 2010 and 1<sup>st</sup> April, 2009 have been reclassified from non-current liability to current liability respectively. The reclassification has no effect on reported profit or loss, total income and expense or net assets for any period presented.

## **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. 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 presented the following two reportable segments. No operating segments have been aggregated to form the following reporting segments.

#### 4. Segment reporting (continued)

- 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

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities 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 years ended 31<sup>st</sup> March, 2011 and 2010 is set out below.

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

	<i>Dongguan and Hong Kong</i>		<i>Shanghai</i>		<i>Total</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	367,325	334,225	203,008	185,227	570,333	519,452
Inter-segment revenue	23,106	16,625	755	3,623	23,861	20,248
<b>Reportable segment revenue</b>	<u>390,431</u>	<u>350,850</u>	<u>203,763</u>	<u>188,850</u>	<u>594,194</u>	<u>539,700</u>
<b>Reportable segment profit</b>	<u>3,276</u>	<u>6,073</u>	<u>13,263</u>	<u>19,123</u>	<u>16,539</u>	<u>25,196</u>
<b>Reportable segment assets</b>	<u>413,748</u>	<u>344,156</u>	<u>256,348</u>	<u>239,239</u>	<u>670,096</u>	<u>583,395</u>
<b>Reportable segment liabilities</b>	<u>174,471</u>	<u>196,972</u>	<u>34,913</u>	<u>43,936</u>	<u>209,384</u>	<u>240,908</u>

#### 4. Segment reporting (continued)

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

	<i>2011</i> HK\$'000	<i>2010</i> HK\$'000
<b>Revenue</b>		
Reportable segment revenue	594,194	539,700
Elimination of inter-segment revenue	<u>(23,861)</u>	<u>(20,248)</u>
Consolidated turnover	<u>570,333</u>	<u>519,452</u>
<b>Profit</b>		
Reportable segment profit	16,539	25,196
Elimination of inter-segment profit	<u>(147)</u>	<u>(797)</u>
Consolidated profit	<u>16,392</u>	<u>24,399</u>
<b>Assets</b>		
Reportable segment assets	670,096	583,395
Elimination of inter-segment receivables	<u>(11,921)</u>	<u>(14,491)</u>
Consolidated total assets	<u>658,175</u>	<u>568,904</u>
<b>Liabilities</b>		
Reportable segment liabilities	209,384	240,908
Elimination of inter-segment payables	<u>(11,921)</u>	<u>(14,491)</u>
Consolidated total liabilities	<u>197,463</u>	<u>226,417</u>

(c) Geographical information

As the Group's business participates in only one geographical location classified by the location of assets, i.e. the People's Republic of China ("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.

#### 4. Segment reporting (continued)

##### (c) Geographical information (continued)

	<i>2011</i>	<i>2010</i>
	HK\$'000	HK\$'000
Hong Kong	91,024	85,090
Other areas of the PRC	261,858	245,944
United States	125,519	113,299
Europe	34,081	27,874
Other countries	<u>57,851</u>	<u>47,245</u>
	<u>570,333</u>	<u>519,452</u>
	=====	=====

#### 5. Profit before taxation

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

	<i>2011</i>	<i>2010</i>
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within five years	2,239	3,344
Finance charges on obligations under finance leases	<u>67</u>	<u>209</u>
	<u>2,306</u>	<u>3,553</u>
	=====	=====
(b) Staff costs (excluding directors' remuneration)#:		
Contributions to defined contribution retirement plans	9,079	8,097
Salaries, wages and other benefits	<u>120,930</u>	<u>102,368</u>
	<u>130,009</u>	<u>110,465</u>
	=====	=====

## 5. Profit before taxation (continued)

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

	2011 HK\$'000	2010 HK\$'000
(c) Other items:		
Cost of inventories sold #	462,777	397,624
Auditor's remuneration		
– audit services	1,055	1,023
– tax services	189	267
– other services	101	-
Depreciation #		
– owned assets	35,261	28,496
– assets held under finance leases	1,886	8,186
Amortisation of land lease premium #	890	849
Operating lease charges for land and buildings #	2,441	2,477
Impairment loss on trade debtors	-	1,030
Reversal of impairment loss on trade debtors	(11)	(2,095)
Net (gain)/loss on forward foreign exchange contracts	<u>(940)</u>	<u>524</u>

# Cost of inventories includes HK\$123,644,000 (2010: HK\$108,931,000) 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:

	2011 HK\$'000	2010 HK\$'000
<b>Current tax - Provision for Hong Kong Profits Tax</b>		
Provision for the year	1,455	2,171
(Over)/under-provision in respect of prior years	<u>(817)</u>	<u>5,637</u>
	638	7,808
	-----	-----
<b>Current tax - Outside Hong Kong</b>		
Provision for the year	5,219	8,803
Under-provision in respect of prior years	<u>-</u>	<u>492</u>
	5,219	9,295
	-----	-----
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(1,669)	(4,464)
	<u>-----</u>	<u>-----</u>
	4,188	12,639
	=====	=====

### *Hong Kong Profits Tax*

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

During the year ended 31<sup>st</sup> 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. 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 totalling HK\$8,222,000 which had been fully provided for at 31<sup>st</sup> March, 2010.

## **6. Income tax in the consolidated income statement (continued)**

(a) Taxation in the consolidated income statement represents: (continued)

### *PRC Corporate Income Tax*

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

The Corporate Income Tax Law of the PRC ("new tax law") took effect on 1<sup>st</sup> January, 2008 and the statutory income tax rate adopted by the Company's subsidiaries in the PRC has been changed from 33% to 25% with effect from 1<sup>st</sup> January, 2008. A subsidiary of the Company, New Island (Shanghai) Paper Products Company Limited ("NISPP"), 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 31<sup>st</sup> December, 2007. NISPP enjoys the remaining tax holiday until its expiry on 31<sup>st</sup> December, 2011.

### *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% (2010: 15%).

## 6. Income tax in the consolidated income statement (continued)

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

	<i>2011</i> HK\$'000	<i>2010</i> HK\$'000
Profit before taxation	20,580	37,038
	=====	=====
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	3,957	8,091
Tax effect of non-deductible expenses	1,410	2,083
Tax effect of non-taxable revenue	(35)	(105)
Tax effect of utilisation of prior years' unrecognised tax losses	(327)	(818)
Tax effect of reversal of temporary differences not recognised in prior years	-	(2,741)
(Over)/under-provision in respect of prior years	<u>(817)</u>	<u>6,129</u>
Actual tax expense	4,188	12,639
	=====	=====

## 7. Dividends

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

	<i>2011</i> HK\$'000	<i>2010</i> HK\$'000
Final dividend proposed after the balance sheet date of Nil cents (2010: HK3.5 cents) per share	-	7,789
	=====	=====

## 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 year of HK\$16,316,000 (2010: HK\$24,248,000) and on the weighted average of 2,386,824,000 (2010: 2,225,290,000 after adjusting for the share subdivision during the year ended 31<sup>st</sup> March, 2011) ordinary shares outstanding during the year, calculated as follows:

## 8. Earnings per share (continued)

### (a) Basic earnings per share (continued)

	<i>2011</i> <i>Number of</i> <i>shares</i> <i>'000</i>	<i>2010</i> <i>Number of</i> <i>shares</i> <i>'000</i> <i>(Restated)</i>
Issued ordinary shares at 1 <sup>st</sup> April, 2010/1 <sup>st</sup> April, 2009	222,529	222,529
Effect of placement of new shares (Note 12(a))	16,154	-
Effect of share subdivision (Note 12(c))	<u>2,148,141</u>	<u>2,002,761</u>
Weighted average number of ordinary shares at 31 <sup>st</sup> March,	2,386,824	2,225,290
	=====	=====

### (b) Diluted earnings per share

There were no dilutive potential shares during the years ended 31<sup>st</sup> March, 2011 and 2010, and diluted earnings per share are the same as basic earnings per share.

## 9. Trade debtors, prepayments and deposits

	<i>The Group</i>	
	<i>2011</i> <i>HK\$'000</i>	<i>2010</i> <i>HK\$'000</i>
Trade debtors	103,440	99,217
Less: Allowance for doubtful debts	<u>(8,520)</u>	<u>(8,534)</u>
	94,920	90,683
Amount due from a related company	26	5
Other receivables	5,111	5,258
Deposits and prepayments	<u>1,520</u>	<u>1,458</u>
	101,577	97,404
Derivative financial instruments	<u>883</u>	<u>230</u>
	102,460	97,634
	=====	=====

## 9. Trade debtors, prepayments and deposits (continued)

All trade debtors, prepayments and deposits, apart from deposits paid by the Group amounting to HK\$804,000 (2010: HK\$761,000), 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:

	<i>The Group</i>	
	<i>2011</i>	<i>2010</i>
	HK\$'000	HK\$'000
Current	90,460	84,227
Less than one month past due	1,623	256
One to three months past due	2,709	5,767
Over three months past due	<u>128</u>	<u>433</u>
	94,920	90,683
	=====	=====

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.

## 10. Non-current assets held for sale

On 22<sup>nd</sup> December, 2010, the Group entered into a sale and purchase agreement with an independent third party buyer to dispose of a property to the buyer at a consideration of HK\$108,000,000. The property is expected to be sold within twelve months from 22<sup>nd</sup> December, 2010, and has been classified as non-current assets held for sale and presented separately in the consolidated balance sheet.

At 31<sup>st</sup> March, 2011, the property was not impaired as the estimated net proceeds exceed the net carrying amount.

## 11. Trade creditors and accrued charges

	<i>The Group</i>	
	<i>2011</i>	<i>2010</i>
	HK\$'000	HK\$'000
Trade creditors	69,060	57,891
Amount due to a related company	139	45
Other payables and accrued charges	<u>51,984</u>	<u>47,818</u>
	121,183	105,754
Derivative financial instruments	<u>-</u>	<u>894</u>
	<u>121,183</u>	<u>106,648</u>
	=====	=====

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

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

	<i>The Group</i>	
	<i>2011</i>	<i>2010</i>
	HK\$'000	HK\$'000
Current and less than one month past due	43,485	47,786
One to three months past due	23,244	9,116
More than three months past due	<u>2,331</u>	<u>989</u>
	69,060	57,891
	=====	=====

## 12. Share capital

	<i>Note</i>	<i>Ordinary shares '000</i>	<i>Amount HK\$'000</i>
<b>Authorised:</b>			
380,000,000 shares of HK\$0.1 each at 1 <sup>st</sup> April, 2010		380,000	38,000
Increase in authorised share capital	(b)	3,620,000	362,000
Share subdivision	(c)	<u>36,000,000</u>	<u>-</u>
 40,000,000,000 shares of HK\$0.01 each at 31 <sup>st</sup> March, 2011		<u>40,000,000</u>	<u>400,000</u>
<b>Issued and fully paid:</b>			
222,529,000 shares of HK\$0.1 each at 1 <sup>st</sup> April, 2010		222,529	22,253
Share placement	(a)	44,000	4,400
Share subdivision	(c)	<u>2,398,761</u>	<u>-</u>
 2,665,290,000 shares of HK\$0.01 each at 31 <sup>st</sup> March, 2011		<u>2,665,290</u>	<u>26,653</u>

- (a) On 17<sup>th</sup> November, 2010, a placement of 44,000,000 new shares at par value of HK\$0.1 each was completed. The placing price was HK\$2.3 per share. The difference between the placing price and the par value of the issued shares, after deduction of shares issuance expenses, of HK\$94,170,000 was recognised in share premium account.
- (b) Pursuant to a resolution passed at a Special General Meeting held on 20<sup>th</sup> December, 2010, the authorised share capital of the Company was approved to increase from HK\$38,000,000 divided into 380,000,000 shares to HK\$400,000,000 divided into 4,000,000,000 shares.
- (c) Pursuant to a resolution passed at a Special General Meeting held on 20<sup>th</sup> December, 2010, a share subdivision (the “Share Subdivision”) was approved. Each of the existing issued and unissued shares of HK\$0.1 each in the share capital of the Company was subdivided into 10 shares of HK\$0.01 each. On 20<sup>th</sup> December, 2010, the authorised share capital of the Company was HK\$400,000,000 divided into 4,000,000,000 shares, of which 266,259,000 shares were issued and fully paid. On this basis, immediately after the share subdivision, the authorised share capital of the Company comprised 2,665,290,000 issued shares and 37,334,710,000 unissued shares of par value HK\$0.01 each.

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.

## **BUSINESS REVIEW AND OUTLOOK**

With the global economy slowly climbs out from the trough of financial gloom, the Group reported for the year under review (“Review Year”) an increase of approximately 9.8% in turnover to approximately HK\$570.3 million, reflecting the gradual recovering demand for packaging printing products across all major markets. Among which, respective increase in sales to Europe and other countries of approximately 22.3% and 22.4% has reflected the Group’s continued strategic efforts in developing and diversifying its customers base.

Gross profit margin, however, has softened to approximately 18.9% during the Review Year from approximately 23.5% during the last corresponding year (“Corresponding Year”). Despite the Group has been eager to shift its product mix towards high-end cosmetic products with higher profitability, the labour costs associated with its high labour content in the manufacturing process have increased tremendously, in light of the serious labour shortage problems in many industrialized locations in the PRC and labour wages have been rising rapidly with respect to the improving living standard and inflation in the PRC. In addition, increasing raw material costs especially costs of paper, on the back of the surge in commodity prices further squeezed the gross profit margin. Accordingly, notwithstanding the recovering demand for packaging printing products, gross profit fell to approximately HK\$107.6 million for the Review Year.

In line with the increase in turnover, selling and distribution costs during the Review Year increased by approximately 3.0% to approximately HK\$34.0 million. Notwithstanding stringent cost control measures adopted by the Group under difficult operating conditions, having accounted for the one-off legal and professional fee of approximately HK\$2.8 million and the increase in staff-related costs of HK\$4.1 million, administrative expenses have also increased by approximately 6.4% to approximately HK\$61.5 million during the Review Year.

With the Group’s improving financial position, effective credit control in place and stringent cash flow management, coupled with the expansion of capital and further reduction in bank borrowings on generally lower interest rates, finance costs declined substantially by approximately 35.1% to approximately HK\$2.3 million during the Review Year.

As a result of the combined effects of the foregoing, profit before tax for the Review Year decreased to approximately HK\$20.6 million. Owing to the decrease in profit before tax for the Review Year and the recognition of additional Hong Kong Profits Tax arising from non-deductibility of certain depreciation allowance claims and other consequential and related charges in the Corresponding Year, income tax expense decreased to approximately HK\$4.2 million during the Review Year from approximately HK\$12.6 million during the Corresponding Year. Accordingly, profit attributable to equity shareholders decreased to approximately HK\$16.3 million for the Review Year.

## **BUSINESS REVIEW AND OUTLOOK (CONTINUED)**

In addition to the decrease in profit attributable to equity shareholders which has negatively impacted the cash flow from operations, the stocking of papers as reflected by the increase in inventory level, in anticipation of the upward trend in cost of paper, has also exerted significantly pressures on operating cashflows. Thus, the cash flow from operations decreased by approximately 65.2% to approximately HK\$34.9 million. Meanwhile, having considered the significance of production efficiency and expected sales growth, the Group has invested approximately HK\$32.0 million on fixed assets especially for upgrading the production machineries and facilities. Strongly backed up by the capital injection from placing of shares during the Review Year, the cash and cash equivalents for the Review Year has almost doubled to approximately HK\$100.6 million. Further discussion on the Group's financial structure, liquidity and leverage is set out in the section headed "Financial and Capital Resources".

Despite clouded by uncertainty surrounding the fiscal crisis in Europe in which our sales is expanding and expected continuous appreciation of the Chinese Renminbi which could translate into additional cost pressure, the Group is strived with its well established networks in sales, purchase and fundraising under the difficult market environment to sustain its fruitful results and to capture any valuable investment opportunities. In short, the Directors are confident that the Group will be able to maximize its value added to shareholders.

## **FINANCIAL AND CAPITAL RESOURCES**

### **Capital structure**

As at 31<sup>st</sup> March, 2011, the Group had bank borrowings, which were either denominated in Hong Kong dollars or Chinese Renminbi, totaling approximately HK\$61.2 million (2010: HK\$95.0 million). Of these borrowings, approximately HK\$40.1 million (2010: HK\$57.4 million) were secured by fixed assets and trade debtors with an aggregate carrying value of approximately HK\$117.3 million (2010: HK\$120.8 million).

On 17<sup>th</sup> November, 2010, the Company issued 44,000,000 new shares as a result of placing of shares to broaden the capital base of the Company. Further on 21<sup>st</sup> December, 2010, the authorized share capital of the Company was increased to HK\$400,000,000 divided into 4,000,000,000 shares of HK\$0.1 each so as to accommodate future expansion and growth of the Group. On the same day, the shares of the Company were subdivided from shares ("Shares") of HK\$0.1 each into ten subdivided shares ("Subdivided Shares") of HK\$0.01 each. After the Share Subdivision has become effective, the Subdivided Shares are traded in board lots of 4,000 Subdivided Shares instead of 2,000 Shares. The Share Subdivision, together with the change in board lot size, reduces the board lot value and improves the liquidity in the trading of the Shares, thereby enabling the Company to attract more investors and broaden its shareholders' base. As at 31<sup>st</sup> March, 2011, the Group had total equity of HK\$460.7 million (2010: HK\$342.5 million).

## **FINANCIAL AND CAPITAL RESOURCES (CONTINUED)**

### **Liquidity and leverage**

As at 31<sup>st</sup> March 2011, the Group had current assets of HK\$378.1 million (2010: HK\$215.4 million) comprising cash and cash equivalents of HK\$100.6 million (2010: HK\$50.9 million), and current liabilities of HK\$186.7 million (2010: HK\$212.2 million (restated)). The Group's current ratio (defined as current assets divided by current liabilities) was at a healthy ratio of 2.0 (2010: 1.0 (restated))

The Group's gearing ratio is defined by its 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 31<sup>st</sup> March 2011 was approximately -8.6% (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.

### **Capital investments**

During the Review Year, the Group expended a total of approximately HK\$32.0 million (2010: HK\$7.0 million) on fixed asset investments. These fixed asset investments and the daily operating activities of the Group were funded by retained earnings, bank borrowings and by the cash flow generated from the Group's operations.

### **Foreign currency management**

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong Dollars, Chinese Reminbi and US Dollars. The Group maintained a prudent position in its foreign currency risk management. To a large extent, foreign exchange risks were minimized by matching the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures.

The Group has entered into various financial derivative instruments in order to mitigate foreign exchange rate exposure. The use of derivative financial instruments is strictly monitored and controlled. In light of the above, it is considered that the Group's exposure to foreign exchange risk is not significant.

## COMMITMENTS

Capital commitments outstanding at 31<sup>st</sup> March, 2011 not provided for in the financial statements were as follows:

	<i>2011</i> HK\$'000	<i>2010</i> HK\$'000
Contracted for	17,036 =====	19,373 =====

## STAFF

As at 31<sup>st</sup> March 2011, the Group had a total staff of 2,805 (2010: 2,695) of which 2,745 (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.

## CORPORATE GOVERNANCE

The Company has complied with the code provisions in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules during the year ended 31<sup>st</sup> March, 2011 except one deviation for which 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 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 throughout the year ended 31<sup>st</sup> March, 2011.

## **AUDIT COMMITTEE**

The audit committee comprises three Independent Non-Executive Directors and reports directly to the Board. The audit committee meets regularly with the Group’s senior management and the Company’s external auditors to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company. The audit committee has reviewed the annual results of the Group for the year ended 31<sup>st</sup> March, 2011.

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

During the year ended 31<sup>st</sup> March, 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares.

## **FINAL DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31<sup>st</sup> March, 2011 (2010: HK3.5 cents per share).

## **PUBLICATION OF FINAL RESULTS AND 2011 ANNUAL REPORT**

The final results announcement of the Company is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.newisland.com>). The annual report will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.newisland.com>) in due course.

## **ANNUAL GENERAL MEETING**

The AGM of the Company will be held on 17<sup>th</sup> August, 2011. A notice convening the AGM will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.newisland.com>) and will be dispatched to the shareholders of the Company.

By Order of the Board  
New Island Printing Holdings Limited  
**LO Ming Chi, Charles**  
*Chairman and Chief Executive Officer*

Hong Kong, 29<sup>th</sup> June, 2011

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