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）

2011 / 2012 INTERIM REPORT

二零一一／二零一二年度中期業績報告

NEW ISLAND PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

INTERIM REPORT 2011/2012

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Lo Ming Chi, Charles, JP
(Chairman and Chief Executive Officer)
Ms. Chan Yuk Yee
Mr. Dai Zhongcheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Yun Kuen
Mr. Pun Chi Ping
Mr. Ip Man Tin, David

COMPANY SECRETARY

Mr. Sinn Wai Kin, Derek

AUDIT COMMITTEE

Mr. Pun Chi Ping, Chairman
Dr. Wong Yun Kuen
Mr. Ip Man Tin, David

REMUNERATION COMMITTEE

Mr. Lo Ming Chi, Charles, JP *(Chairman)*
Dr. Wong Yun Kuen
Mr. Pun Chi Ping
Mr. Ip Man Tin, David

SOLICITORS

Chiu & Partners Solicitors

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

25th Floor
Excel Centre
No. 483A Castle Peak Road
Cheung Sha Wan
Kowloon
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

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, 2011 as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2011 — unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30th September, 2011 $'000	2010 $'000
Turnover	*3&4*	**381,694**	317,490
Cost of sales		**(305,573)**	(249,655)
		76,121	67,835
Other revenue		**4,919**	4,029
Other net (loss)/gain		**(4,954)**	603
Selling and distribution costs		**(22,317)**	(19,722)
Administrative expenses		**(38,717)**	(34,061)
Profit from operations		**15,052**	18,684
Finance costs	*5(a)*	**(969)**	(1,199)
Profit before taxation	*5*	**14,083**	17,485
Income tax	*6*	**(3,997)**	(3,314)
Profit for the period		**10,086**	14,171
Attributable to:			
Equity shareholders of the Company		**10,084**	13,781
Non-controlling interests		**2**	390
Profit for the period		**10,086**	14,171
			(restated)
Earnings per share			
— Basic	*8(a)*	**0.38 cents**	0.62 cents
— Diluted	*8(b)*	**0.38 cents**	0.62 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30th September, 2011 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30th September,	
	2011	2010
	$'000	*$'000*
Profit for the period	**10,086**	14,171
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of nil tax	**10,667**	5,731
Total comprehensive income for the period	**20,753**	19,902
Attributable to:		
Equity shareholders of the Company	**20,750**	19,527
Non-controlling interests	**3**	375
Total comprehensive income for the period	**20,753**	19,902

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

CONSOLIDATED BALANCE SHEET
At 30th September, 2011 — unaudited
(Expressed in Hong Kong dollars)

	Note	At 30th September, 2011 $'000	At 30th September, 2011 $'000	At 31st March, 2011 $'000	At 31st March, 2011 $'000
NON-CURRENT ASSETS					
Fixed assets	*9*				
— Property, plant and equipment		**345,073**		255,942	
— Interest in leasehold land held for own use under operating leases		**18,981**		18,793	
			364,054		274,735
Deposits for purchase of machinery			**2,901**		4,684
Deferred tax assets			**928**		648
			367,883		280,067
CURRENT ASSETS					
Inventories	*10*	**84,204**		98,798	
Trade debtors, prepayments and deposits	*11*	**144,361**		102,460	
Non-current assets held for sale	*12*	**76,230**		76,230	
Cash and cash equivalents		**87,625**		100,620	
		392,420		378,108	
CURRENT LIABILITIES					
Bank loans	*13*	**90,465**		41,128	
Obligations under finance leases	*14*	**807**		2,413	
Trade creditors and accrued charges	*15*	**147,284**		121,183	
Bills payable		**23,447**		17,669	
Current tax payable		**6,270**		4,318	
		268,273		186,711	
NET CURRENT ASSETS			**124,147**		191,397
TOTAL ASSETS LESS CURRENT LIABILITIES			**492,030**		471,464

CONSOLIDATED BALANCE SHEET
At 30th September, 2011 — unaudited *(Continued)*
(Expressed in Hong Kong dollars)

		At 30th September, 2011		At 31st March, 2011	
	Note	***$'000***	***$'000***	*$'000*	*$'000*
NON-CURRENT LIABILITIES					
Deferred tax liabilities			**(10,565)**		(10,752)
NET ASSETS			**481,465**		460,712
CAPITAL AND RESERVES					
Share capital	*16*		**26,653**		26,653
Reserves			**454,597**		433,847
Total equity attributable to equity shareholders of the Company			**481,250**		460,500
Non-controlling interests			**215**		212
TOTAL EQUITY			**481,465**		460,712

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2011 — unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company								
	Share capital *$'000*	**Share premium** *$'000*	**Statutory surplus reserve** *$'000*	**Exchange reserve** *$'000*	**Other reserves** *$'000*	**Retained profits** *$'000*	**Total** *$'000*	**Non-controlling interests** *$'000*	**Total equity** *$'000*
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									
Profit for the period	—	—	—	—	—	13,781	13,781	390	14,171
Other comprehensive income	—	—	—	5,746	—	—	5,746	(15)	5,731
Total comprehensive income	—	—	—	5,746	—	13,781	19,527	375	19,902
Dividends approved in respect of previous financial year *(note 7)*	—	—	—	—	—	(7,789)	(7,789)	—	(7,789)
Balance at 30th September, 2010, and 1st October, 2010	22,253	37,741	22,902	52,587	4,890	213,701	354,074	526	354,600
Changes in equity for the six months ended 31st March, 2011									
Profit for the period	—	—	—	—	—	2,535	2,535	(314)	2,221
Other comprehensive income	—	—	—	5,321	—	—	5,321	—	5,321
Total comprehensive income	—	—	—	5,321	—	2,535	7,856	(314)	7,542
Share placement	4,400	94,170	—	—	—	—	98,570	—	98,570
Transfer to statutory surplus reserve	—	—	2,133	—	—	(2,133)	—	—	—
Balance at 31st March, 2011	26,653	131,911	25,035	57,908	4,890	214,103	460,500	212	460,712
Balance at 1st April, 2011	26,653	131,911	25,035	57,908	4,890	214,103	460,500	212	460,712
Changes in equity for the six months ended 30th September, 2011									
Profit for the period	—	—	—	—	—	10,084	10,084	2	10,086
Other comprehensive income	—	—	—	10,666	—	—	10,666	1	10,667
Total comprehensive income	—	—	—	10,666	—	10,084	20,750	3	20,753
Balance at 30th September, 2011	26,653	131,911	25,035	68,574	4,890	224,187	481,250	215	481,465

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30th September, 2011 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30th September,	
	2011	2010
	$'000	*$'000*
Cash generated from operations	**42,581**	20,475
Tax paid	**(2,574)**	(9,326)
Net cash generated from operating activities	**40,007**	11,149
Net cash used in investing activities	**(100,109)**	(18,112)
Net cash generated from/(used in) financing activities	**46,668**	(11,054)
Net decrease in cash and cash equivalents	**(13,434)**	(18,017)
Cash and cash equivalents at 1st April	**100,620**	50,902
Effect of foreign exchange rates changes	**439**	887
Cash and cash equivalents at 30th September	**87,625**	33,772
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	**42,217**	33,772
Deposits with bank	**45,408**	—
Cash and cash equivalents in the balance sheet and the cash flow statement	**87,625**	33,772

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise stated)

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 30th November, 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 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 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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

The financial information relating to the financial year ended 31st March, 2011 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, 2011 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 29th June, 2011.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued 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:

- HKAS 24 (revised 2009), *Related party disclosures*

- Improvements to HKFRSs (2010)

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

The developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. Except for the adoption of HKAS 24 (revised 2009) which clarifies and simplifies the definition of a related party, the adoption of the above revised standard and amendments have had no material impact on the contents of this interim financial report.

As a result of the adoption of HKAS 24 (revised 2009), certain entities are no longer considered to be related parties to the Group. This standard is applied retrospectively in accordance with the transitional provisions of HKAS 24 (revised 2009). Transactions conducted with such entities for the six months ended 30th September, 2010 and balances with such entities as at 31st March, 2011 are therefore excluded from the disclosure note of related party transactions in this unaudited interim financial report.

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

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 period is set out below.

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

	Dongguan and Hong Kong		**Shanghai**		**Total**	
For the six months ended 30th September,	**2011**	2010	**2011**	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**271,339**	221,598	**110,355**	95,892	**381,694**	317,490
Inter-segment revenue	**11,658**	12,330	**—**	563	**11,658**	12,893
Reportable segment revenue	**282,997**	233,928	**110,355**	96,455	**393,352**	330,383
Reportable segment profit	**5,322**	7,923	**4,764**	6,371	**10,086**	14,294
	At 30th September, 2011	At 31st March, 2011	**At 30th September, 2011**	At 31st March, 2011	**At 30th September, 2011**	At 31st March, 2011
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Reportable segment assets	**505,982**	413,748	**270,653**	256,348	**776,635**	670,096
Reportable segment liabilities	**264,541**	174,471	**30,629**	34,913	**295,170**	209,384

3. SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30th September,	
	2011	2010
	$'000	*$'000*
Revenue		
Reportable segment revenue	**393,352**	330,383
Elimination of inter-segment revenue	**(11,658)**	(12,893)
Consolidated turnover	**381,694**	317,490
Profit		
Reportable segment profit	**10,086**	14,294
Elimination of inter-segment profit	**—**	(123)
Consolidated profit	**10,086**	14,171

	At 30th September,	At 31st March,
	2011	2011
	$'000	*$'000*
Assets		
Reportable segment assets	**776,635**	670,096
Elimination of inter-segment receivables	**(16,332)**	(11,921)
Consolidated total assets	**760,303**	658,175
Liabilities		
Reportable segment liabilities	**295,170**	209,384
Elimination of inter-segment payables	**(16,332)**	(11,921)
Consolidated total liabilities	**278,838**	197,463

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,	
		2011	2010
		$'000	*$'000*
(a)	***Finance costs:***		
	Finance charges on obligations under finance leases	**13**	41
	Interest on bank loans and overdrafts	**956**	1,158
		969	1,199
(b)	***Other items:***		
	Cost of inventories sold	**305,573**	249,655
	Depreciation		
	— owned assets	**18,493**	16,555
	— assets held under finance leases	**697**	1,598
	Amortisation of land lease premium	**359**	486
	Net loss/(gain) on forward foreign exchange contracts	**4,536**	(589)
	Loss on disposal of fixed assets	**1**	50

6. INCOME TAX

	Six months ended 30th September,	
	2011	2010
	$'000	*$'000*
Current tax		
Provision for Hong Kong Profits Tax	**2,301**	1,872
Provision for income tax outside Hong Kong	**2,159**	2,678
	4,460	4,550
Deferred tax		
Origination and reversal of temporary differences	**(463)**	(1,236)
	3,997	3,314

The provision for Hong Kong Profits Tax for the period was calculated at 16.5% (six months ended 30th September, 2010: 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.

7. **DIVIDENDS**

(a) No interim dividend will be paid for the six months ended 30th September, 2011 (six months ended 30th September, 2010: Nil). Final dividends, if any, will be proposed at the year end.

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

	Six months ended 30th September,	
	2011	2010
	$'000	*$'000*
Final dividend in respect of the financial year ended 31st March, 2011, approved and paid during the interim period of HK Nil cents per share (2010: in respect of the financial year ended 31st March, 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 period of $10,084,000 (six months ended 30th September, 2010: $13,781,000) and on the weighted average number of ordinary shares of 2,665,290,000 (six months ended 30th September, 2010: 2,225,290,000 ordinary shares after adjusting for the share subdivision in December, 2010) during the period.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the six months ended 30th September, 2011 and 2010, and diluted earnings per share is the same as basic earnings per share.

9. **FIXED ASSETS**

During the six months ended 30th September, 2011, the Group acquired items of fixed assets with cost totalling $102,210,000 (six months ended 30th September, 2010: $20,277,000).

10. **INVENTORIES**

During the six months ended 30th September, 2011, $633,000 (six months ended 30th September, 2010: $2,215,000) 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:

	At 30th September, 2011	At 31st March, 2011
	$'000	*$'000*
Current	**117,744**	90,460
Less than one month past due	**5,323**	1,623
One to three months past due	**5,478**	2,709
More than three months past due	**1,314**	128
	129,859	94,920

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

12. NON-CURRENT ASSETS HELD FOR SALE

On 22nd 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 $108,000,000. The property is expected to be sold within twelve months from 22nd December, 2010, and has been classified as non-current assets held for sale and presented separately in the consolidated balance sheet.

At 30th September, 2011 and 31st March, 2011, the property was not impaired as the estimated net proceeds exceed the net carrying amount.

The sale of the property was subsequently completed on 1st November, 2011 and recorded a gain on disposal of $13,911,000.

13. BANK LOANS

The analysis of the carrying amount of the bank loans is as follows:

	At 30th September, 2011 ***$'000***	At 31st March, 2011 *$'000*
Term loans from banks subject to demand repayment	**62,782**	17,180
Other bank loans	**27,683**	23,948
	90,465	41,128

At 30th September, 2011, bank loans were due for repayment as follows:

	At 30th September, 2011 ***$'000***	At 31st March, 2011 *$'000*
Within one year or on demand	**27,683**	23,948
Current portion of term loans due for repayment within one year	**16,208**	9,120
	43,891	33,068
Term loans due for repayment after one year		
After one year but within two years	**8,738**	5,560
After two years but within five years	**11,954**	2,500
After five years	**25,882**	—
	46,574	8,060
	90,465	41,128

At 30th September, 2011, bank loans were secured as follows:

	At 30th September, 2011 ***$'000***	At 31st March, 2011 *$'000*
Bank loans		
— secured	**72,332**	27,228
— unsecured	**18,133**	13,900
	90,465	41,128

13. BANK LOANS (CONTINUED)

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 $137,074,000 at 30th September, 2011 (31st March, 2011: $117,318,000). Assets pledged under such facilities are as follows:

	At 30th September, 2011 **_$'000_**	At 31st March, 2011 _$'000_
Fixed assets	**77,984**	94,075
Trade debtors	**59,090**	23,243
	137,074	117,318

At 30th September, 2011, the above secured banking facilities amounted to $120,320,000 (31st March, 2011: $115,859,000). The facilities were utilised to the extent of $82,907,000 at 30th September, 2011 (31st March, 2011: $40,148,000), comprising bank loans of $72,332,000 (31st March, 2011: $27,228,000) and bills payable of $10,575,000 (31st March, 2011: $12,920,000).

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to 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 repayable on demand. The Group regularly monitors its compliance with these covenants. As at 30th September, 2011, none of the covenants relating to the drawn down facilities was breached.

14. OBLIGATIONS UNDER FINANCE LEASES

At 30th September, 2011, the Group had obligations under finance leases repayable as follows:

	At 30th September, 2011			At 31st March, 2011		
	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	**807**	**2**	**809**	2,413	15	2,428

15. TRADE CREDITORS AND ACCRUED CHARGES

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

	At 30th September, 2011 **_$'000_**	At 31st March, 2011 _$'000_
Current and less than one month past due	**71,163**	43,485
One to three months past due	**7,982**	23,244
More than three months past due	**3,899**	2,331
	83,044	69,060

16. SHARE CAPITAL

	No. of shares	Amount
	'000	*$'000*
Authorised shares of $0.01 each:		
At 31st March, 2011 and 30th September, 2011	40,000,000	400,000
Issued and fully paid shares of $0.01 each:		
At 31st March, 2011 and 30th September, 2011	2,665,290	26,653

17. COMMITMENTS

Capital commitments outstanding at 30th September, 2011, not provided for in the interim financial report:

	At 30th September, 2011	At 31st March, 2011
	$'000	*$'000*
Contracted for	**5,122**	17,036

18. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related companies

During the six months ended 30th September, 2010, the Group sold packaging products to companies which were controlled by a Non-Executive Director totalling $6,024,000, under normal commercial terms. Such companies ceased to be related parties of the Group as at 21st October, 2010.

(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,	
	2011	2010
	$'000	*$'000*
Short-term employee benefits	**3,954**	3,468
Post-employment benefits	**160**	136
	4,114	3,604

19. 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 May 2010, the Group entered into a non-deliverable structured forward contract ("First Contract") with a bank. The total notional amount of the First Contract is US$12,000,000 with twelve equal monthly settlement amounts commencing April 2011. On each determination date, if the exchange rate of USD to RMB is at or depreciates 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 appreciates above the contracted rate at the determination 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 determination date.

In June 2011, the Group entered into another non-deliverable structured forward contract ("Second Contract") with a bank. The total notional amount of the Second Contract, depending on the exchange rate at determination date, ranges from US$14,000,000 to US$28,000,000 with fourteen equal monthly settlement amounts commencing April 2012. On each determination date, if the exchange rate of USD to RMB is at or depreciates below the contracted rate, a fixed amount of US$1,000,000 will be payable by the Group to the bank and a fixed amount of RMB6,520,000 will be receivable from the bank. Under this circumstance, a monthly gain of the Group will be an amount in RMB equal to USD1,000,000 multiplied by the difference between the contracted rate and the exchange rate of USD to RMB at the determination date ("Monthly Gain"). If the exchange rate of USD to RMB appreciates above the contracted rate at the determination date, a fixed amount of US$2,000,000 will be payable by the Group to the bank and a fixed amount of RMB13,040,000 will be receivable from the bank. Under this circumstance, the Monthly Gain will be zero. The Second Contract will be terminated upon the completion of all fourteen settlements or the accumulated Monthly Gains from the completed settlements reaches RMB300,000.

As at 30th September, 2011, the fair value of the First Contract amounted to $405,000 (asset) (31st March, 2011: $883,000 (asset)), which was recognised under trade debtors, prepayments and deposits in the consolidated balance sheet. The fair value of the Second Contract amounted to $4,415,000 (liability) (31st March, 2011: Nil), which was recognised under trade creditors and accrued charges 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 against the associated costs in RMB and such gains would be sufficient to cover any amount payable under the Contracts.

In December 2010, the Group entered into a contract to purchase a set of machinery at a total consideration of EUR1,460,000. In June 2011, the Group had entered into forward exchange contracts with a view to hedge the said transaction. As at 30th September 2011, the fair value of the contracts amounted to $168,000 (liability), which was recognised under trade creditors and accrued charges in the consolidated balance sheet.

All of the above forward contracts are not qualified for hedge accounting and therefore they are accounted for at fair value through profit or loss.

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

Other aspects of the Group's financial risk management policies and practices are consistent with those disclosed in the Company's statutory financial statements for the year ended 31st March, 2011.

20. NON-ADJUSTING POST BALANCE SHEET EVENT

A property which was classified as non-current assets held for sale at 30th September, 2011 was sold subsequent to 30th September, 2011. Details are disclosed in note 12.

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

Introduction

We have reviewed the interim financial report set out on pages 2 to 16 which comprises the consolidated balance sheet of New Island Printing Holdings Limited as at 30th September, 2011 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-month 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, 2011 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

30th November, 2011

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, 2011 ("Review Period"), the Group reported a turnover of approximately HK$381.7 million, as compared with approximately HK$317.5 million for the six months ended 30th September, 2010 ("Corresponding Period"). Profit before taxation and profit attributable to equity shareholders during the Review Period were approximately HK$14.1 million and approximately HK$10.1 million respectively, as compared with approximately HK$17.5 million and approximately HK$13.8 million respectively for the Corresponding Period.

Adopting from the gradual resumption in the global economy growth in early 2011, turnover increased by approximately 20.2% to approximately HK$381.7 million during the Review Period. The increase in turnover was mainly due to the increase in customer demand on the back of the gradual economic recovery of the United States, especially those from the development of new customers in the Western part. Gross profit margin, however, slightly decreased to approximately 19.9% during the Review Period. The increase in turnover has partially been offset by the increase in labour costs as well as increase in other manufacturing costs in line with inflation. Accordingly, gross profit increased by a percentage of approximately 12.2% to approximately HK$76.1 million during the Review Period. In line with the increase in turnover, selling and distribution costs during the Review Period increased by approximately 13.2% to approximately HK$22.3 million. On a percentage basis, the increase in selling and distribution costs was smaller than the increase in turnover which was mainly due to the decrease in sales commissions and freight costs incurred. Under the continued cost control measures against economic inflation, administrative expenses have increased by approximately 13.7% to approximately HK$38.7 million during the Review Period, which was mainly resulted from the increase in general staff cost and related medical and insurance expenses of approximately HK$2.6 million, increase in miscellaneous tax expenses in the People's Republic of China ("the PRC") of approximately HK$1.5 million and increase in depreciation mainly arising from the addition of capital expenditures for the period of approximately HK$0.6 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 19.2% to approximately HK$1.0 million during the Review Period.

Apart from operations, the Group has entered into a non-deliverable structured forward contract with a bank in June 2011 as detailed in note 19 to the interim financial report. The fair value of this contract was recognized as a liability as at 30th September, 2011 which decreased the Group's profit by HK$4.4 million. Management considers such change in fair value will have no significant effect to the Group's cashflow.

As a result of the combined effects of the foregoing, profit before taxation during the Review Period fell by approximately 19.5% to approximately HK$14.1 million. After accounting for income tax expense and non-controlling interests of an overseas subsidiary, profit attributable to equity shareholders decreased by approximately 28.8% to approximately HK$10.1 million during the Review Period.

With the outbreak of financial crisis in Eurozone and many customers being bracing for slowing demand amid global economic turmoil, the outlook of the Group for the second half of the year ending 31st March, 2012 continues to be challenging. While the global economy, especially the European countries, has been showing uncertainties, 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$102.2 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, 2011, the Group had bank borrowings, which were either denominated in Hong Kong dollars or Chinese Renminbi, totalling approximately HK$114.7 million (31st March, 2011: HK$61.2 million). Of these borrowings, approximately HK$82.9 million (31st March, 2011: HK$40.1 million) were secured by fixed assets and trade debtors with an aggregate carrying value in the Group's balance sheet as at 30th September, 2011 of approximately HK$137.1 million (31st March, 2011 HK$117.3 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, 2011 was approximately 5.6% (31st March, 2011: -8.6%).

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, 2011, the Group had a total staff of 2,694 (31st March, 2011: 2,805) of which 2,634 (31st March, 2011: 2,745) 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, 2011 (2010: Nil).

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 six months period ended 30th September, 2011.

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*** (the "Code Provision") is explained below.

The Code Provision 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

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 interim results of the Group for the six months ended 30th September, 2011.

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

As at 30th September, 2011, none of the Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange 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 2011 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.

INTERESTS AND SHORT POSITION OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30th September, 2011, so far as is known to the Directors, the following persons had interests of more than 5% of the issued share capital of the Company according to the register of interests kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Long/Short position	Total number of shares held	Approximate % of total issued shares at 30th September, 2011
Plus Wealthy Limited ("Plus Wealthy")	Beneficial owner	Long position	1,668,967,000	62.62%
Bingo Wealth Holdings Limited ("Bingo Wealth")	Interests of controlled corporation	Long position	1,668,967,000 *(note)*	62.62%
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interests of controlled corporation	Long position	1,668,967,000 *(note)*	62.62%

Note:

These shares are held by Plus Wealthy which is a wholly-owned subsidiary of Bingo Wealth which in turn is wholly-owned by Mr. Suen. Accordingly, Mr. Suen and Bingo Wealth are deemed to be interested in all the shares of the Company in which Plus Wealthy 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, 2011.

ARRANGEMENT TO PURCHASE SHARES

Apart from the Scheme as disclosed above, at no time during the six months ended 30th September, 2011 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, 2011, 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 Dr. Wong Yun Kuen, Mr. Pun Chi Ping and Mr. Ip Man Tin, David as Independent Non-executive Directors.

By Order of the Board
LO Ming Chi, Charles
Chairman and Chief Executive Officer

Hong Kong, 30th November, 2011