新洲印刷集團有限公司

NEW ISLAND PRINTING HOLDINGS LIMITED

(Stock Code 股份代號 : 377)

2012

Annual Report 年報

CONTENTS

EXECUTIVE DIRECTORS

Mr. Lo Ming Chi, Charles
(Chairman and Chief Executive Officer)
Ms. Chan Yuk Yee
Mr. Dai Zhongcheng
(resigned on 27th April, 2012)

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. Ip Man Tin, David, *Chairman*
(appointed as Chairman on 27th March, 2012)
Mr. Lo Ming Chi, Charles
(retired as Chairman on 27th March, 2012)
Dr. Wong Yun Kuen
Mr. Pun Chi Ping

NOMINATION COMMITTEE

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

SOLICITORS

Chiu & Partners Solicitors

AUDITORS

KPMG

* Appointed on 27th March, 2012

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
483A Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

HONG KONG SHARE REGISTRAR

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

STOCK CODE

377

WEBSITE

http://www.newisland.com

BIOGRAPHY OF DIRECTORS

Executive Directors

Mr. Lo Ming Chi, Charles, aged 62, joined as an Executive Director of the Company in September 2010, is the Chairman and Chief Executive Officer of the Company. Mr. Lo is also a member of the Remuneration Committee and Nomination Committee of the Company and a director of several subsidiaries of the Company. He is a certified practicing accountant of the CPA Australia and is a fellow of the Financial Services Institute of Australasia. Mr. Lo has extensive experience in financial and investment services in Australia, Hong Kong and other Asian countries. Mr. Lo is also an executive director, deputy chairman and chief executive officer of China Tycoon Beverage Holdings Limited ("China Tycoon") (stock code: 209) and an independent non-executive director of CASH Financial Services Group Limited (stock code: 510), New Environmental Energy Holdings Limited (stock code: 3989) and Tak Sing Alliance Holdings Limited (stock code: 126), all being listed companies in Hong Kong.

Ms. Chan Yuk Yee, aged 44, joined as an Executive Director of the Company in September 2010 and a director of several subsidiaries of the Company. Ms. Chan holds a Master of Business Law degree from Monash University in Australia and is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Chan has over 10 years of experience in corporate administration and company secretarial practice. Ms. Chan is also an executive director and the company secretary of China Tycoon and the company secretary of Beijing Yu Sheng Tang Pharmaceutical Group Limited (stock code: 1141) and Sunlink International Holdings Limited (stock code: 2336), all being listed companies in Hong Kong.

Independent Non-executive Directors

Dr. Wong Yun Kuen, aged 54, joined as an Independent Non-executive Director of the Company in October 2010. Dr. Wong is the Chairman of the Nomination Committee of the Company and also a member of the Audit Committee and Remuneration Committee of the Company. Dr. Wong received a Ph.D. degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities Institute. Dr. Wong is also an executive director of UBA Investments Limited (stock code: 768) and an independent non-executive director of Bauhaus International (Holdings) Limited (stock code: 483), Climax International Company Limited (stock code: 439), Kingston Financial Group Limited (stock code: 1031), Harmony Asset Limited (stock code: 428), Hua Yi Copper Holdings Limited (stock code: 559), Kaisun Energy Group Limited (stock code: 8203), Kong Sun Holdings Limited (stock code: 295), China Yunnan Tin Minerals Group Company Limited (stock code: 263), ZMAY Holdings Limited (stock code: 8085), and China Grand Forestry Green Resources Group Limited (stock code: 910). All the companies mentioned above are listed companies in Hong Kong.

BIOGRAPHY OF DIRECTORS *(Continued)*

Independent Non-executive Directors *(Continued)*

Mr. Pun Chi Ping, aged 45, joined as an Independent Non-executive Director of the Company in October 2010. Mr. Pun is also the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company. Mr. Pun holds a Master degree of Science in Finance and a Bachelor degree of Arts in Accountancy, both from the City University of Hong Kong. Mr. Pun is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Pun has extensive experience in corporate finance, accounting and auditing and is the financial controller of Poly (Hong Kong) Investments Limited (stock code: 119), a listed company in Hong Kong.

Mr. Ip Man Tin, David, aged 66, joined as an Independent Non-executive Director of the Company in November 2010. Mr. Ip is also the Chairman of the Remuneration Committee of the Company and a member of the Audit Committee and the Nomination Committee of the Company. He holds a Bachelor of Arts Degree and a Master of Public Administration degree. Mr. Ip is a Chartered Marketer and a Certified Management Consultant. He has extensive experience of public administration and public company management in Hong Kong and Britain. He has extensive consultancy experience across industry sectors. Mr. Ip is also the chairman and non-executive director of Upbest Group Limited (stock code: 335), a listed company in Hong Kong.

BIOGRAPHY OF SENIOR MANAGEMENT

Mrs. Fung So Ka Wah, Karen, aged 61, is the Chief Operation Officer of the Group mainly responsible for the overall management and procurement of the Group. Mrs. Fung graduated from the University of Toronto and obtained a post graduate degree from the University of Western Ontario in Canada. She worked in the banking industry before joining the Group in 1985.

Mr. So Wah Sum, Conrad, aged 57, is the Sales Director of New Island Printing Company Limited. Mr. So graduated from the University of Waterloo in Canada with degrees in Environmental Studies and in Arts majoring in economics and accounting. He has obtained a master degree in Business Administration from Deakin University, Australia. Mr. So is a member of the Society of Management Accountants of Canada and also a fellow of Chartered Institute of Management Accountants of United Kingdom. He worked in various departments of a multinational chemical manufacturer in Canada before returning to Hong Kong and joining the Group in 1983.

Mr. Sinn Wai Kin, Derek, aged 53, is the Financial Controller responsible for the financial planning and management of the Group and is the Company Secretary of the Company. Mr. Sinn is a fellow member of the Hong Kong Institute of Certified Public Accountants and has more than 25 year's experience in audit, accounting and financial management. He joined the Group in September 2008.

Mr. Lai Po Wah, Charles, aged 54, is the General Manager of Shanghai New Island Packaging Printing Company Limited. He is responsible for the overall management of the Shanghai operation of the Group. Mr. Lai has over 30 years' experience in the printing industry. He is a graduate of Hong Kong Institute of Vocational Education (Kwun Tong) in printing. He joined the Group since 1986.

Mr. Tee Swee Kan, aged 53, is the Production Director of Dongguan New Island Printing Company Limited. He is responsible for managing the manufacturing operations of the Dongguan plant. He holds a Bachelor of Science degree in Chemistry from Malaysia and is a member of the Institute of Printing (UK). He has more than 20 years of production and operational management experience in the printing industry. Mr. Tee was employed by the Group from September 1990 to August 2002. He rejoined the Group in June 2008.

I am pleased to present the 2011/12 annual results of New Island Printing Holdings Limited (the "Company") and its subsidiaries (together, the "Group").

REVIEW

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. The Group recorded turnover of approximately HK$634.1 million for the year ended 31st March, 2012 (2011: HK$570.3 million). Despite there is an increase in turnover for 11.2% from 2010/11 to 2011/12, the increase in labour costs as a result of labor shortages in the Pearl Delta Region and further increase in mandatory minimum wage in Guangdong Province has eroded the Group's gross profit margin from 18.9% in 2010/11 to 17.5% in 2011/12.

Profit attributable to equity shareholders for the year ended 31st March, 2012 amounted to approximately HK$19.1 million (2011: HK$16.3 million), representing an increase of 17.2% from 2010/11, of which HK$13.9 million was contributed by a one-off gain on disposal of property. Detailed review of the Group's performance is set out in the section headed "Management Discussion and Analysis".

Having considered the continuous challenging environment and to readily grasp other valuable investment opportunities, the Board has resolved to propose Nil dividend for the year ended 31st March, 2012.

PROSPECT

With the contraction of economic activities in leading developed countries as a result of the sovereign debt crisis in Europe and stuttering recovery pace in the United States, the escalation of the global economic slowdown is unfolded. Slowing growth in demands from consumers and businesses in the developed world are creating headwinds for all the industries, with no exception to the printing and packaging industry. To encounter the difficulties in the coming year, the Group will proactively implement flexible sales strategies and keen on exploring new customers in the emerging markets in addition to expanding its market share with the existing well established sales network.

The weak external outlook accelerates the shifting of economic growth structure of the People's Republic of China (the "PRC"), where the production bases of the Group are located, from exports and investments towards domestic consumption. The PRC Government's efforts on raising household income will inevitably translate into further production cost pressures to the Group. Having anticipated the increase in production costs, the Group has strategically expanded its manufacturing platform to Hunan in April 2012 in the view that the diversification in production bases could lower the overall production costs.

Despite the operating environment of the printing industry in 2012/13 will continue to be challenging, the Group will continue to uphold its proven track record and reputation of delivering consistent and high quality services by boosting productivity for improved efficiency, quality and reliability in every area of our operations.

Over the past year, the management of the Group has ardently explored new investment opportunities especially in the area of financial services and investment. The Group has consistently upheld the practice of meticulous management by strengthening its corporate governance, excelling in risk management and balancing the investment risks of different projects.

Looking ahead, the management will take a cautious view on the unstable global economy while the Group will continue to strive for optimisation of its industry value and continued enhancement of shareholders' return.

APPRECIATION

Finally, I would like to take this opportunity to extend my gratitude to my fellow directors and all the dedicated staff of the Group for their hard work and contribution during the year. On behalf of the Board, I would also like to express our sincere thanks to the Group's shareholders, investors, customers, bankers and business associates for their continued support.

Lo Ming Chi, Charles
Chairman

Hong Kong, 27th June, 2012

BUSINESS REVIEW AND OUTLOOK

Despite the macroeconomic environment being clouded with uncertainties, the Group reported turnover of approximately HK$634.1 million for the year under review ("Review Year"), an increase of approximately 11.2% compared to approximately HK$570.3 million for the last corresponding year ("Corresponding Year"), for which the sales to Europe has almost doubled. Attributable not only to the continued strategic efforts made in developing the customer base in Europe, but also the Group's renowned strength in producing delicate packaging products, in particular high-end cosmetic products, which further reflects the superior market position of the Group and appropriate business strategy adopted.

Gross profit margin, however, has slightly smoothened down to approximately 17.5% during the Review Year from approximately 18.9% during the Corresponding Year. In addition to the gentle appreciation of Renminbi in which our major production costs are denominated, delicate packaging products inevitably associate with high labour content in the manufacturing process, and labour wages and associated costs have been rising rapidly and significantly with respect to national policy, statutory requirement, improving living standard and inflation in the People's Republic of China ("the PRC") which could not be fully shifted to customers. Accordingly, gross profit only slightly increased by approximately 3.0% to approximately HK$110.8 million for the Review Year.

In line with the increase in turnover, selling and distribution costs during the Review Year increased by approximately 12.6% to approximately HK$38.2 million, standing at approximately 6.0% of turnover. Notwithstanding stringent cost control measures adopted by the Group under difficult operating conditions, in the absence of one-off legal and professional fee of approximately HK$2.8 million incurred in the Corresponding Year and having accounted for the increase in staff-related costs of approximately HK$5.4 million, increase in depreciation related to the new head office of approximately HK$1.2 million and increase in the PRC local government taxes and administration fees of approximately HK$1.8 million, administrative expenses have increased by approximately 9.2% to approximately HK$67.1 million during the Review Year.

In spite of the general increase in bank interest rates during the Review Year, finance costs declined by approximately 9.2% to approximately HK$2.1 million. If the impact of mortgage interest for the financing of new head office of approximately HK$0.5 million during the Review Year was excluded, finance costs would have substantially reduced by approximately 33.0% from the Corresponding Year to approximately HK$1.6 million during the Review Year. This revealed the Group's stringent cash flow management and effective credit control in place.

Owing to the disposal of the previous head office in Yuen Long during the Review Year, a gain on disposal of approximately HK$13.9 million has been accounted for in other net gain, whereas the disposal has also ceased the rentals receivable accounted for in other revenue, causing the decrease in other revenue by approximately HK$2.8 million.

As a result of the combined effects of the foregoing, profit before tax for the Review Year increased to approximately HK$24.9 million. Accordingly, income tax expense increased to approximately HK$5.5 million during the Review Year from approximately HK$4.2 million during the Corresponding Year. As a result, profit attributable to equity shareholders increased to approximately HK$19.1 million for the Review Year.

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Apart from the increase in profit attributable to equity shareholders which positively impacted the operating cashflows and proceeds of approximately HK$90.5 million from disposals of fixed assets, the Group has expended approximately HK$157.5 million on investing activities, including approximately HK$28.5 million on upgrading and acquisition of machinery and equipment to improve production efficiency, approximately HK$84.0 million on acquisition of land and building and approximately HK$40.6 million on investments in trading securities. Further discussion on the Group's capital structure and management, liquidity and leverage is set out in the section headed "Financial and Capital Resources".

Evidently the gears of the global economy are slowing in unison. With the global economic slowdown going on, businesses envisage diminishing turnover by experiencing depressing short-term demand and growth. Meanwhile, the change in economic focus and policy in the PRC to domestic consumption in respond to the darkening global economy will undoubtedly further translate into additional cost pressure of the Group. In the midst of uncertainties, the Group will remain cautious and strive to sustain its prolific results and to capture any valuable investment opportunities with all its effort under the difficult market environment, so as to maximise its value added to shareholders.

CAPITAL STRUCTURE

As at 31st March, 2012, the Group had bank borrowings denominated in Hong Kong dollars, totaling approximately HK$90.0 million (2011: HK$61.2 million). Of these borrowings, approximately HK$43.2 million (2011: HK$40.1 million) were secured by fixed assets with an aggregate carrying value of approximately HK$76.9 million (2011: fixed assets and trade debtors of HK$117.3 million).

As at 31st March, 2012, the Group had total equity of HK$492.8 million (2011: HK$460.7 million).

LIQUIDITY AND LEVERAGE

As at 31st March 2012, the Group had current assets of HK$339.5 million (2011: HK$378.1 million) comprising cash and cash equivalents of HK$88.7 million (2011: HK$100.6 million), and current liabilities of HK$210.4 million (2011: HK$186.7 million). The Group's current ratio (defined as current assets divided by current liabilities) was at a healthy ratio of 1.6 (2011: 2.0).

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 31st March 2012 was approximately 0.2% (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.

CAPITAL INVESTMENTS

During the Review Year, the Group expended a total of approximately HK$116.9 million (2011: HK$32.0 million) on fixed asset investments, of which approximately HK$84.0 million (2011: HK$0.1 million) was on land and buildings. 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, Renminbi and US Dollars. The Group maintained a prudent position in its foreign currency risk management. To a large extent, foreign exchange risks were minimised by matching the foreign currency monetary assets versus the corresponding currency monetary 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.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the "Board") believes that good corporate governance practices are increasingly important for maintaining and promoting the confidence of shareholders of the Company (the "Shareholders"). The Company is committed to ensuring a high standard of corporate governance. The Board will review the corporate governance practices of the Company and its subsidiaries (the "Group") from time to time to ensure that they reflect the latest development and meet the expectations of the Shareholders.

The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx") (the "Listing Rules") for the year ended 31st March, 2012, except for one deviation explained below.

Code Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer ("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 in the respect 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 maximises 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.

BOARD OF DIRECTORS

The Board is responsible for establishing strategic directions, setting objectives and business plans and monitoring performance. The management is responsible for the day-to-day management and operations of their respective individual business units.

The Board has established a schedule of matters specifically reserved to the Board for its decisions and those reserved for the management. The Board reviews this schedule from time to time to ensure that it remains appropriate to the needs of the Group.

As at the date of this report, the Board comprises 2 Executive Directors, namely Mr. Lo Ming Chi, Charles (Chairman and Chief Executive Officer) and Ms. Chan Yuk Yee and 3 Independent Non-executive Directors, namely Dr. Wong Yun Kuen, Mr. Pun Chi Ping and Mr. Ip Man Tin, David. The biographical details of the Directors are set out under the section headed "Biography of Directors" on pages 3 to 4 of this annual report. The list of Directors and their respective role and function are currently available on the Group's website at http://www.newisland.com and on HKEx's website at http://www.hkex.com.hk.

Each of the Independent Non-executive Directors has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company for a period of one year. The appointment shall be automatically renewed for successive terms of one year unless terminated by either party in writing prior to the expiry of the term.

Save as the common directorship of Mr. Lo Ming Chi, Charles and Ms. Chan Yuk Yee in China Tycoon Beverage Holdings Limited as disclosed in the "Biography of Directors", there is no financial, business, family or other material/relevant relationship among members of the Board.

BOARD OF DIRECTORS *(Continued)*

The Company has received from each of the Independent Non-executive Directors an annual confirmation in writing of his independence and is satisfied that each of them continues to be independent in accordance with the requirements of the Listing Rules.

The full Board meets no less than four times a year to review, inter alia, the financial and operational performance of the Group. Additional Board meetings are held when necessary. Due notice and Board papers are given to all Directors prior to a meeting in accordance with the Listing Rules and the Code. The Board has established a procedure to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses. Appropriate insurance policy and cover for directors have been arranged as well.

There were four regular Board meetings and one annual general meeting held in the year ended 31st March, 2012. The attendance record of each Director at the regular Board meetings and general meeting is shown below. All business transacted at the above meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

Directors	**Attendance of full Board meetings**	**Attendance of general meeting**
Executive Directors:		
Mr. Lo Ming Chi, Charles *(Chairman)*	4/4	1/1
Ms. Chan Yuk Yee	4/4	1/1
Mr. Dai Zhongcheng *(resigned on 27th April, 2012)*	1/4	0/1
Independent Non-executive Directors:		
Dr. Wong Yun Kuen	4/4	1/1
Mr. Pun Chi Ping	4/4	0/1
Mr. Ip Man Tin, David	4/4	1/1

REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005 pursuant to the recommendations of the Code. The Remuneration Committee is governed by its terms of reference, which have been revised by the Board on 27th March, 2012. The terms of reference are currently available on the Group's website at http://www.newisland.com and on HKEx's website at http://www.hkex.com.hk.

The Remuneration Committee now consists of 4 members, namely Mr. Ip Man Tin, David, who is the chairman of the Remuneration Committee, Mr. Lo Ming Chi, Charles, Dr. Wong Yun Kuen and Mr. Pun Chi Ping. The majority of whom are Independent Non-executive Directors. With effect from 27th March, 2012, Mr. Lo Ming Chi, Charles has ceased to act as the chairman of the Remuneration Committee but remains as a member of the Remuneration Committee, and Mr. Ip Man Tin, David has been appointed as chairman of the Remuneration Committee.

REMUNERATION COMMITTEE *(Continued)*

The Company aims to design a remuneration policy that attracts and retains executives needed to run the Group successfully and to motivate executives to pursue appropriate growth strategies of the Group while at the same time taking into account the performance of the individuals. The remuneration should reflect, inter alia, the performance and responsibilities of the individuals; and the remuneration packages are structured to include salary, bonus and other benefits to provide incentives to directors and senior management of the Group and to improve their individual performance.

The roles and functions of the Remuneration Committee include the formulation and review of the recommendation to the Board on the remuneration policy as well as the determination of the specific remuneration packages of the Executive Directors and the Group's senior management. No Director or any of his associates is involved in deciding his own remuneration.

For the year ended 31st March 2012, the remuneration of individual directors is disclosed by name in note 7 to the financial statements, while the remuneration of senior management (comprising of individuals with biographical details disclosed in the section headed "Biography of Senior Management") is disclosed by bands as follows:

	2012 *Number of individuals*	2011 *Number of individuals*
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**4**	4
	5	5

The Remuneration Committee met 1 time during the year ended 31st March, 2012 and the work carried out by the Remuneration Committee included the following:

— reviewed the remuneration policy of the Group; and

— reviewed the specific remuneration packages of the Executive Directors and senior management of the Group for the year ended 31st March, 2012.

The attendance record of each member of the Remuneration Committee is shown below. All business transacted at the above meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

Remuneration Committee Members	**Attendance**
Mr. Ip Man Tin, David *(Chairman, appointed as Chairman on 27th March, 2012)*	1/1
Mr. Lo Ming Chi, Charles *(resigned as Chairman on 27th March, 2012)*	1/1
Dr. Wong Yun Kuen	1/1
Mr. Pun Chi Ping	1/1

NOMINATION COMMITTEE

On 27th March, 2012, the Board established a Nomination Committee pursuant to the recommendations of the Code. The Nomination Committee is governed by its terms of reference, which have been adopted by the Board on 27th March, 2012. The terms of reference of the Nomination Committee are currently available on the Group's website at http://www.newisland.com and HKEx's website at http://www.hkex.com.hk.

The Nomination Committee consists of 4 members, namely Dr. Wong Yun Kuen, who is the chairman of the Nomination Committee, Mr. Lo Ming Chi, Charles, Mr. Pun Chi Ping and Mr. Ip Man Tin, David. The majority of whom are Independent Non-executive Directors.

The primary duty of the Nomination Committee is making recommendations to the Board on appointment and removal of directors and management of Board succession. No director was appointed or removed during the year. But on 27th April, 2012, Mr. Dai Zhongcheng resigned as the Executive Director of the Company.

The Nomination Committee has considered the past performance, qualification, general market conditions and the Company's Bye-laws in selecting and recommending directors for retirement rotation. The Nomination Committee resolved that all the existing directors should be recommended to remain in office by the Company. Further, in accordance with the Company's Bye-laws, Dr. Wong Yun Kuen and Mr. Pun Chi Ping would retire, and being eligible, would offer themselves for re-election at the forthcoming annual general meeting of the Company.

One board meeting has been convened in which the establishment of the Nomination Committee was resolved during the year ended 31st March, 2012. At the same meeting, all members of Nomination Committee are present and performed the work including the following:

— reviewed the structure, size and composition of the Board; and

— reviewed the recommendations of the Code in relation to the training and continuous professional development of Directors

All directors of the Company are members of various professional bodies or institutes, for which each director is required to comply with the annual continuous professional development requirement from such respective professional bodies or institutes. The Nomination Committee has considered the relevant requirements of such professional bodies or institutes and shall align with the recommendations of the Code.

The attendance record of each member of the Nomination Committee in the aforesaid meeting is shown below. All business transacted at the above meeting has been duly documented and is maintained in accordance with applicable laws and regulations.

Nomination Committee Members	**Attendance**
Dr. Wong Yun Kuen *(Chairman, appointed on 27th March, 2012)*	1/1
Mr. Lo Ming Chi, Charles *(appointed on 27th March, 2012)*	1/1
Mr. Pun Chi Ping *(appointed on 27th March, 2012)*	1/1
Mr. Ip Man Tin, David *(appointed on 27th March, 2012)*	1/1

Before the establishment of the Nomination Committee, the selection and approval of new directors was undertaken by the Board. When there was a nomination to directorship, the Board would assess the suitability of the nominee and decide whether to accept the nomination. A director appointed by the Board was subject to re-election by the shareholders of the Company at the first general meeting after the appointment.

AUDIT COMMITTEE

The Audit Committee was established in 2004 pursuant to the recommendations of the Code. The Audit Committee is governed by its terms of reference, which have been revised by the Board on 27th March, 2012. The terms of reference are currently available on the Group's website at http://www.newisland.com and on HKEx's website at http://www.hkex.com.hk.

The Audit Committee now consists of 3 members, namely Mr. Pun Chi Ping, who is the chairman of the Audit Committee, Dr. Wong Yun Kuen and Mr. Ip Man Tin, David. All are Independent Non-executive Directors, of which Dr. Wong Yun Kuen and Mr. Pun Chi Ping are with appropriate professional qualification with accounting or related financial expertise. No member of the Audit Committee is a member of the former or existing auditor of the Company.

The roles and functions of the Audit Committee include the review of the financial statements of the Company, the oversight of corporate governance, financial reporting and internal control procedures of the Group as well as the review of the Group's relationship with the external auditors of the Company.

The Audit Committee met 2 times during the year ended 31st March, 2012 and the work carried out by the Audit Committee included the following:

— reviewed the audited consolidated financial statements of the Group for the year ended 31st March, 2011;

— reviewed the unaudited interim financial statements of the Group for the six months ended 30th September, 2011;

— reviewed and discussed with the Company's external auditors the audit plan for the consolidated financial statements of the Group for the year ended 31st March, 2012;

— reviewed and considered the terms of the continuing connected transactions entered into between the Group and certain companies controlled by Mr. Ting Woo Shou, Kenneth, SBS, JP or his family members;

— reviewed and discussed with the senior management of the Group and the external auditors of the Company major accounting, audit and internal control issues;

— reviewed and discussed with the senior management of the Group the corporate governance practices and compliance issues of the Group;

— reviewed the independence and objectivity of the external auditors of the Company;

— monitored the non-audit services undertaken by the Company's external auditors or their affiliates; and

— reviewed and approved the remuneration and terms of engagement of the external auditors of the Company.

Subsequent to the year ended 31st March, 2012, the Audit Committee also had a meeting to review the audited consolidated financial statements of the Group for the year ended 31st March, 2012.

The attendance record of each member of the Audit Committee is shown below. All business transacted at the above meetings has been duly documented and is maintained in accordance with applicable laws and regulations.

AUDIT COMMITTEE *(Continued)*

Audit Committee Members	Attendance
Mr. Pun Chi Ping *(Chairman)*	2/2
Dr. Wong Yun Kuen	2/2
Mr. Ip Man Tin, David	2/2

CORPORATE GOVERNANCE FUNCTIONS

The Board has the overall responsibility for the corporate governance of the Group and reviews its effectiveness, and adopts all necessary and appropriate actions, to maintain sufficient and effective corporate governance policy and functions from time to time. The Audit Committee assists the Board in the review the corporate governance policy and functions to ensure the upheld of good corporate governance which are of the best interests of the Shareholders and the Group.

The Audit Committee has, during the year ended 31st March, 2012, made arrangements to review the Group's the policies and practices on corporate governance and make recommendations to the Board, to review and monitor the policies and practices of the Group on compliance with legal and regulatory requirements, and to review the compliance by the Group with the Corporate Governance Code (Appendix 14 to the Listing Rules) and the disclosure requirements for the Corporate Governance Report.

INTERNAL CONTROL

The Board has the overall responsibility for the internal control system of the Group and reviews its effectiveness, and adopts all necessary and appropriate actions, to maintain sufficient and effective internal control system from time to time. The Audit Committee assists the Board in the review, which covers operational, financial and compliance controls and risk management functions, to maintain an adequate and effective internal control system to safeguard the interests of the Shareholders and the assets of the Group.

The Directors have, during the year ended 31st March, 2012, made arrangements to review the Group's internal control system as well as the adequacy of resource, qualification and experience of the staff of the Group's accounting and financial reporting function. The purpose of the review was to provide a reasonable assurance on the effectiveness and efficiency of the Group's operations in achieving the established corporate objectives, to safeguard the Group's assets against unauthorised use or disposition, to ensure the maintenance of proper accounting records of the Group for the provision of reliable financial information for internal use and for publication, and to ensure the Group's compliance with relevant legislation and regulations.

AUDITORS' REMUNERATION

During the year ended 31st March, 2012, the Company's external auditors charged the Company HK$1,258,000 for audit services and HK$244,000 for non-audit services. The non-audit services undertaken by the Company's external auditors were mainly for tax compliance.

FINANCIAL REPORTING

The Board acknowledges its responsibility for the preparation of the financial statements of the Company for the year ended 31st March, 2012, which have been prepared on a going concern basis.

The reporting responsibility of the external auditors of the Company is set out in the Independent Auditor's Report on pages 26 and 27 of this Annual Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct of securities transactions by the Directors and has adopted similar guidelines on no less exacting terms than the Model Code for application to the Group's senior management and designated people who are likely to be in possession of unpublished price sensitive information of the Group. In response to specific enquiries made by the Company, all Directors have confirmed that they had complied with the requirements set out in the Model Code throughout the year ended 31st March, 2012.

COMMUNICATIONS WITH SHAREHOLDERS

The objective of communications with shareholders is to ensure that the Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company. In this respect, a written shareholders communication policy has been established and is currently available on the Group's website at http://www.newisland.com.

The Company uses a range of communication tools to ensure Shareholders are kept well informed of key business imperatives. These include general meetings, interim and annual reports, announcements and circulars. The Company's website offers a communication channel between the Company and the Shareholders, and is frequently updated with key information of the Group.

At the Company's 2011 Annual General Meeting, separate resolutions were proposed by the Chairman in respect of each separate issue, including the re-election of Directors.

The Company regularly informs the Shareholders of the procedure for voting by poll and ensures compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company. A consolidated version of the Company's Memorandum of Association and Bye-laws is currently available on the Group's website at http://www.newisland.com and on HKEx's website at http://www.hkex.com.hk. There is no significant change in the Company's Memorandum of Association and Bye-laws during the year ended 31st March, 2012.

SHAREHOLDERS' RIGHTS

Procedures for Convening of Special General Meeting ("SGM") on requisition of Shareholders

(1) The Directors of the Company, notwithstanding anything in its bye-laws shall, on the requisition of Shareholders holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company.

(2) The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company Secretary at the Company's principal place of business at, 25th Floor, Excel Centre, 483A Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong. Such requisition may consist of several documents in like form each signed by one or more requisitionists.

SHAREHOLDERS' RIGHTS *(Continued)*

Procedures for Convening of Special General Meeting ("SGM") on requisition of Shareholders *(Continued)*

(3) The requisition will be verified with the Company's Share Registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to include the resolutions in the agenda for the SGM. And such meeting shall be held within two months after the deposit of such requisition.

(4) If the directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

(5) A meeting convened under this section by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

Procedures for sending enquiries to the Board

The enquiries must be in writing with contact information of the enquirers and submitted to the Company Secretary at the Company's principal place of business at 25th Floor, Excel Centre, 483A Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

Procedures for shareholders to put forward proposals at Shareholders' meetings

(1) To put forward proposals at an Annual General Meeting ("AGM"), or SGM, the Shareholders should submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's principal place of business at 25th Floor, Excel Centre, 483A Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

(2) The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the proposal in the agenda for the general meeting.

(3) The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholders concerned at AGM or SGM varies according to the nature of the proposal, as follows:

   – At least 14 days' notice (the notice period must include 10 business days) in writing if the proposal constitutes an ordinary resolution of the Company.

   – At least 21 days' notice (the notice period must include 20 business days) in writing if the proposal constitutes a special resolution of the Company in SGM or an ordinary resolution of the Company in AGM.

CONCLUSION

The Board believes that the quality and standard of corporate governance reflects the quality of the management and the operations of the Group's business. Good corporate governance can safeguard the proper use of the Group's assets and effective allocation of the Group's resources as well as protecting the interests of the Shareholders. The management wholeheartedly advocates good practice in corporate governance and will strive to maintain, strengthen and improve the standard and quality of the corporate governance of the Group.

The Directors have pleasure in submitting their annual report together with the audited consolidated financial statements of New Island Printing Holdings Limited (the "Company") and its subsidiaries (collectively refer to as the "Group") for the year ended 31st March, 2012.

PRINCIPAL PLACE OF BUSINESS

New Island Printing Holdings Limited is a company incorporated and domiciled in Bermuda and has its principal place of business at 25th Floor, Excel Centre, 483A Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are the printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

The analysis of the geographical segments of the operations of the Company and its subsidiaries during the year is set out in note 11 to the financial statements.

FINANCIAL STATEMENTS

The profit and cash flows of the Group for the year ended 31st March, 2012 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 28 to 89.

FINAL DIVIDEND

The Directors do not recommended the payment of a final dividend for the year ended 31st March, 2012 (2011: HK$Nil per share).

TRANSFER TO RESERVES

Profits attributable to equity shareholders of HK$19,114,000 (2011: HK$16,316,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

CHARITABLE DONATIONS

Charitable donations made by the Group during the financial year amounted to HK$242,000 (2011: HK$334,000).

SUBSIDIARIES

Particulars of the Company's subsidiaries at 31st March, 2012 are set out in note 14 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 90.

MAJOR SUPPLIERS AND CUSTOMERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the financial year is as follows:

	%
Sales	
Five largest customers in aggregate	41%
The largest customer	18%
Purchases	
Five largest suppliers in aggregate	33%
The largest supplier	18%

At no time during the financial year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had any interests (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules")) in these major customers and suppliers.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 25(c) to the financial statements.

BANK LOANS, OBLIGATIONS UNDER FINANCE LEASES AND BILLS PAYABLE

Particulars of bank loans, obligations under finance leases and bills payable of the Group at 31st March, 2012 are set out in notes 20, 21 and 23 to the financial statements respectively.

DIRECTORS

The Directors during the financial year and up to the date of this report were:

Mr. Lo Ming Chi, Charles *(Chairman)*
Ms. Chan Yuk Yee
Mr. Dai Zhongcheng *(resigned on 27th April, 2012)*
Dr. Wong Yun Kuen*
Mr. Pun Chi Ping*
Mr. Ip Man Tin, David*

* *Independent Non-executive Director*

In accordance with the Bye-laws of the Company, Dr. Wong Yun Kuen and Mr. Pun Chi Ping will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

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

As at 31st March, 2012, none of the Directors or the chief executive of the Company had any 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 for Securities Transactions by Directors of Listed Issuer set out in Appendix 10 of the Listing Rules.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st March, 2012, 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 31st March, 2012
Plus Wealthy Limited ("Plus Wealthy")	Beneficial owner	Long position	1,668,967,000	62.62%
Bingo Wealth Holdings Limited ("Bingo Wealth")	Interests held by controlled corporation	Long position	1,668,967,000 *(note)*	62.62%
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interests held by 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 31st March, 2012.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had entered into the following transactions, as described below and in the announcement dated 23rd April, 2010 with persons who were "connected persons" for the purpose of the Listing Rules.

As disclosed in the announcement of the Company dated 23rd April, 2010, on 22nd April, 2010, New Island Printing Company Limited ("New Island Printing"), a wholly-owned subsidiary of the Company, entered into a renewed supply agreement with Kader Industrial Company Limited ("Kader Industrial") to renew the supply agreement dated 30th April, 2007, pursuant to which the Group would agree to sell to Kader Holdings Company Limited ("Kader") or its subsidiaries (collectively with Kader, the "Kader Group") packaging and paper products for a further term of 3 years commencing from 1st April, 2010. On the same date, New Island Printing entered into a renewed supply agreement with Qualidux Industrial Company Limited ("Qualidux") to renew the supply agreement dated 30th April, 2007, pursuant to which the Group would agree to sell to Qualidux or its subsidiaries packaging and paper products for a further term of 3 years commencing from 1st April, 2010.

Mr. Ting Woo Shou, Kenneth, SBS, JP, a former Non-executive Director of the Company (resigned on 21st October, 2010), is the managing director and a controlling shareholder of Kader. Mr. Ting is also a director of Qualidux and certain members of his family have substantial interests in Qualidux. As such, Kader and its subsidiaries and Qualidux are connected persons of the Company within the meaning of the Listing Rules until 20th October, 2011. Total sales to Kader Group and Qualidux from 1st April, 2011 to 20th October, 2011 amounted to HK$5,656,000 (Year ended 31st March, 2011: HK$8,941,000).

These transactions have been reviewed by the Independent Non-executive Directors, who were satisfied that the above transactions were entered into:

(i) in the ordinary and usual course of business;

(ii) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than terms available to independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and reported their conclusions to the Board that:

(i) nothing has come to auditor's attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to auditor's attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(iii) nothing has come to auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

Apart from the continuing connected transactions as disclosed above, no contract of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, subsisted at the end of the financial year or at any time during the financial year.

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. The Scheme shall remain valid and effective until 27th September, 2017.

The principal terms of the Scheme are summarised as follows:

(i) The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the Scheme, unless approved by shareholders and which must not in aggregate exceed 30% of the total number of the relevant class of securities of the Company in issue from time to time. As at the date of this annual report, the total number of shares available for issue under the Scheme is 266,529,000 shares, which represents 10% of the issued share capital of the Company as at the date of this annual report.

(ii) The total number of shares issued and to be issued upon exercise of the share options (including both exercised and outstanding options) granted pursuant to the Scheme and any other share option schemes of the Company to each of the Participants in any 12-month period shall not exceed 1% of the total number of the relevant class of securities of the Company (or its subsidiaries) in issue.

SHARE OPTION SCHEME *(Continued)*

(iii) The exercise price shall be solely determined by the Board, and shall be at least the highest of: (a) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the share option to the Participants, which must be a day (other than a Saturday or a Sunday) on which licenced banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities (the "Business Day"); (b) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of offer of the share option to the Participants; and (c) the nominal value of the Company's shares.

(iv) A share option may be exercised at any time during a period determined by the Board at its absolute discretion and notified by the Board to each grantee the period during which an option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Scheme.

(v) There is no minimum period for which a share option must be held before the share option can be exercised unless otherwise determined by the Board.

(vi) According to the Scheme, the offer of a grant of share options may be accepted within 28 days from the date of offer, HK$1 is payable by each of the Participants to the Company on acceptance of the share options as consideration for the grant. The share options to which the offer relates shall be deemed to have been granted on the date of offer of such share options.

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

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Scheme as disclosed above, at no time during the financial year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws, although there is no restriction against such rights under Bermuda Law.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the financial year.

RETIREMENT SCHEMES

Particulars of retirement schemes of the Group are set out in note 29 to the financial statements.

STAFF

As at 31st March, 2012, the Group had a total staff of 2,692 (2011: 2,805), of which 2,634 (2011: 2,745) were employed in the People's Republic of China 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, there is sufficient public float of not less than 25% of the Company's issued Share Capital as required under the Listing Rules.

INDEPENDENT AUDITOR

The financial statements of the Company for the year ended 31st March, 2012 have been audited by KPMG who shall retire at the forthcoming annual general meeting.

It will be proposed at the forthcoming annual general meeting of the Company to appoint Messrs. Grant Thornton Hong Kong Limited as auditors of the Company.

There have been no other changes of auditors of the Company in the past three years.

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

Hong Kong, 27th June, 2012

KPMG

Independent auditor's report to the shareholders of
NEW ISLAND PRINTING HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of New Island Printing Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 28 to 89, which comprise the consolidated and company balance sheets as at 31st March, 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27th June, 2012

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars)

	Note	**2012**	2011
		$'000	*$'000*
Turnover	*3 & 11*	**634,132**	570,333
Cost of sales		**(523,301)**	(462,777)
Gross profit		**110,831**	107,556
Other revenue	*4(a)*	**7,301**	9,378
Other net gain	*4(b)*	**14,247**	1,375
Selling and distribution costs		**(38,248)**	(33,965)
Administrative expenses		**(67,120)**	(61,458)
Profit from operations		**27,011**	22,886
Finance costs	*5(a)*	**(2,094)**	(2,306)
Profit before taxation	*5*	**24,917**	20,580
Income tax	*6(a)*	**(5,508)**	(4,188)
Profit for the year		**19,409**	16,392
Attributable to:			
Equity shareholders of the Company	*9*	**19,114**	16,316
Non-controlling interests		**295**	76
Profit for the year		**19,409**	16,392
Earnings per share	*10*		
Basic		**0.72 cents**	0.68 cents
Diluted		**0.72 cents**	0.68 cents

The notes on pages 35 to 89 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 25(b).

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars)

	2012	2011
	$'000	*$'000*
Profit for the year	**19,409**	16,392
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of nil tax	**12,637**	11,052
Total comprehensive income for the year	**32,046**	27,444
Attributable to:		
Equity shareholders of the Company	**31,751**	27,383
Non-controlling interests	**295**	61
Total comprehensive income for the year	**32,046**	27,444

The notes on pages 35 to 89 form part of these financial statements.

At 31st March, 2012
(Expressed in Hong Kong dollars)

	Note	**As at 31st March, 2012**		As at 31st March, 2011	
		$'000	***$'000***	*$'000*	*$'000*
Non-current assets					
Fixed assets	*12*				
– Property, plant and equipment		**340,999**		255,942	
– Interests in leasehold land held for own use under operating leases		**18,763**		18,793	
		359,762		274,735	
Deposits for purchases of machinery	*13*	**4,356**		4,684	
Deferred tax assets	*24(b)*	**1,922**		648	
			366,040		280,067
Current assets					
Trading securities	*15*	**41,039**		—	
Inventories	*16*	**89,551**		98,798	
Trade and other receivables	*17*	**120,175**		102,460	
Non-current assets held for sale	*18*	**—**		76,230	
Cash and cash equivalents	*19*	**88,737**		100,620	
			339,502		378,108
Current liabilities					
Bank loans	*20*	**63,778**		41,128	
Obligations under finance leases	*21*	**—**		2,413	
Trade and other payables	*22*	**107,598**		121,183	
Bills payable	*23*	**26,184**		17,669	
Current tax payable	*24(a)*	**12,798**		4,318	
			210,358		186,711
Net current assets			**129,144**		191,397
Total assets less current liabilities			**495,184**		471,464

At 31st March, 2012
(Expressed in Hong Kong dollars)

	Note	As at 31st March, 2012		As at 31st March, 2011	
		$'000	**$'000**	$'000	$'000
Non-current liabilities					
Deferred tax liabilities	*24(b)*	**2,426**		10,752	
			2,426		10,752
NET ASSETS			**492,758**		460,712
CAPITAL AND RESERVES					
Share capital	*25(c)*		**26,653**		26,653
Reserves			**465,598**		433,847
Total equity attributable to equity shareholders of the Company			**492,251**		460,500
Non-controlling interests			**507**		212
TOTAL EQUITY			**492,758**		460,712

Approved and authorised for issue by the Board of Directors on 27th June, 2012.

Lo Ming Chi, Charles
Chairman and Chief Executive Officer

Chan Yuk Yee
Director

The notes on pages 35 to 89 form part of these financial statements.

At 31st March, 2012
(Expressed in Hong Kong dollars)

	Note	**As at 31st March, 2012**		As at 31st March, 2011	
		$'000	***$'000***	*$'000*	*$'000*
Non-current assets					
Interests in subsidiaries	*14*		**244,057**		245,217
Current assets					
Prepayments and deposits	*17*	**330**		282	
Cash and cash equivalents	*19(a)*	**61**		61	
			391		343
Current liabilities					
Accrued charges	*22*		**614**		679
Net current liabilities			**(223)**		(336)
NET ASSETS			**243,834**		244,881
CAPITAL AND RESERVES	*25(a)*				
Share capital			**26,653**		26,653
Reserves			**217,181**		218,228
TOTAL EQUITY			**243,834**		244,881

Approved and authorised for issue by the Board of Directors on 27th June, 2012.

Lo Ming Chi, Charles
Chairman and Chief Executive Officer

Chan Yuk Yee
Director

The notes on pages 35 to 89 form part of these financial statements.

For the year ended 31st March, 2012

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	**Share capital** *$'000*	**Share premium** *$'000 (note 25 (d)(i))*	**Statutory surplus reserve** *$'000 (note 25 (d)(iii))*	**Exchange reserve** *$'000 (note 25 (d)(iv))*	**Other reserves** *$'000 (note 25 (d)(v))*	**Retained profits** *$'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 year ended 31st March, 2011:										
Profit for the year		—	—	—	—	—	16,316	16,316	76	16,392
Other comprehensive income for the year		—	—	—	11,067	—	—	11,067	(15)	11,052
Total comprehensive income for the year		—	—	—	11,067	—	16,316	27,383	61	27,444
Share placement	*25(c)(i)*	4,400	94,170	—	—	—	—	98,570	—	98,570
Dividends approved in respect of previous financial year		—	—	—	—	—	(7,789)	(7,789)	—	(7,789)
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 year ended 31st March, 2012:										
Profit for the year		—	—	—	—	—	**19,114**	**19,114**	**295**	**19,409**
Other comprehensive income for the year		—	—	—	**12,637**	—	—	**12,637**	—	**12,637**
Total comprehensive income for the year		—	—	—	**12,637**	—	**19,114**	**31,751**	**295**	**32,046**
Transfer to statutory surplus reserve		—	—	**1,656**	—	—	**(1,656)**	—	—	—
Balance at 31st March, 2012		**26,653**	**131,911**	**26,691**	**70,545**	**4,890**	**231,561**	**492,251**	**507**	**492,758**

The notes on pages 35 to 89 form part of these financial statements.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars)

	Note	**2012** **$'000**	2011 $'000
Operating activities			
Cash generated from operations	*19(b)*	**42,191**	34,913
Tax paid			
– Hong Kong Profits Tax paid		**(1,719)**	(7,974)
– Overseas tax paid		**(4,970)**	(6,695)
Net cash generated from operating activities		**35,502**	20,244
Investing activities			
Payment for purchase of property, plant and equipment		**(116,938)**	(32,002)
Interest received		**988**	361
Payment for purchase of trading securities		**(40,572)**	—
Proceeds from sale of property, plant and equipment		**90,518**	1,749
Net cash used in investing activities		**(66,004)**	(29,892)
Financing activities			
Proceeds from new bank loans		**298,840**	250,303
Repayment of bank loans		**(276,284)**	(276,832)
Capital element of finance lease rental paid		**(2,413)**	(3,778)
Interest on bank loans and overdrafts paid		**(2,079)**	(2,239)
Interest element of finance lease rental paid		**(15)**	(67)
Dividend paid to equity shareholders of the Company		**—**	(7,789)
Proceeds from share placement	*25(c)(i)*	**—**	98,570
Net cash generated from financing activities		**18,049**	58,168
Net (decrease)/increase in cash and cash equivalents		**(12,453)**	48,520
Cash and cash equivalents at 1st April		**100,620**	50,902
Effect of foreign exchange rate changes		**570**	1,198
Cash and cash equivalents at 31st March	*19(a)*	**88,737**	100,620

The notes on pages 35 to 89 form part of these financial statements.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31st March, 2012 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as trading securities (see note 1 (i)) and derivative financial instruments (see note 1(m)) are stated at their fair value.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(u)).

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) 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 and the Company. 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 relate 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 the Group's financial statements.

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 year ended 31st March 2011 and balances with such entities as at 31st March 2011 are therefore excluded from the disclosure note of related party transactions in the Group's financial statements.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

(e) Property, plant and equipment

Property, plant and equipment are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses (see note 1(j)).

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold land and buildings situated thereon are depreciated over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the leases.

— Machinery	10 – 15 years
— Tools	10 years
— Furniture and fixtures	5 – 10 years
— Computer and office equipment	5 – 6 years
— Motor vehicles	5 – 6 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each is depreciated separately. The useful life of an asset and its residual value, if any, are reviewed annually.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely that the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

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

(i) Other investments in equity securities

Investments in equity securities, other than investments in subsidiaries, are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

Investments in equity securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any interest or dividends earned on these investments as these are recognised in accordance with the policies set out in note 1(q)(ii) and (iv).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets

(i) Impairment of investments in subsidiaries and trade and other receivables

Investments in subsidiaries and trade and other receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

— For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that property, plant and equipment, and pre-paid interests in leasehold land classified as being held under an operating lease may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(p)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Derivative financial instruments

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

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(p)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added and other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition *(Continued)*

(iii) Rental income from operating leases

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

(iv) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the average foreign exchange rates approximating the foreign exchange rate ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(s) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets or disposal groups are recognised at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale, and on subsequent re-measurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(v) Related parties

(a) A person, or a close member of that person’s family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group’s parent.

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1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

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

(a) Depreciation and amortisation

Fixed assets are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values, if any, of the assets annually in order to determine the amount of depreciation and amortisation expenses for any reporting period. The useful lives are estimated based on historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are material changes from previous estimates.

(b) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with the accounting policy set out in note 1(g). Management estimates the net realisable value based on the current market situation and historical experience on similar inventories. A considerable level of judgement is exercised by management when assessing the net realisable value of inventories. Any increase or decrease in provision for inventories would affect profit or loss in future periods.

(c) Impairment of assets

Internal and external sources of information are reviewed by the Group at each balance sheet date to assess whether there is any indication that fixed assets may be impaired. If any such indication exists, the recoverable amount of the assets is estimated to determine impairment losses on the assets. Changes in facts and circumstances may affect the conclusion of whether an indication of impairment exists and result in revised estimates of recoverable amounts, which would affect profit or loss in future periods.

Impairment losses on trade debtors are assessed and provided based on management's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by management when assessing the creditworthiness and past collection history of each individual customer. Any increase or decrease in impairment losses on trade debtors would affect profit or loss in future periods.

(d) Income taxes

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the tax losses and deductible temporary differences can be utilised. Estimation of future taxable profits involves judgements made by management. Any increase or decrease in the recognition of deferred tax assets would affect profit or loss in future periods.

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3 TURNOVER

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

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

4 OTHER REVENUE AND NET GAIN

	2012	2011
	$'000	*$'000*
(a) Other revenue		
Rentals receivable from operating leases	**4,690**	7,466
Interest income	**988**	361
Other income	**1,623**	1,551
	7,301	9,378
(b) Other net gain		
Net gain/(loss) on disposal of		
– land and buildings	**13,911**	264
– other fixed assets	**147**	(230)
	14,058	34
Net unrealised gain on trading securities	**467**	—
Net exchange (loss)/gain	**(278)**	1,341
	14,247	1,375

5 PROFIT BEFORE TAXATION

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

	2012	2011
	$'000	*$'000*
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within five years	**1,530**	2,239
Finance charges on obligations under finance leases	**15**	67
Interest on other bank loans	**549**	—
	2,094	2,306

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5 PROFIT BEFORE TAXATION *(Continued)*

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

	2012	2011
	$'000	*$'000*
(b) Staff costs (excluding directors' remuneration) #:		
Contributions to defined contribution retirement plans	**11,585**	9,079
Salaries, wages and other benefits	**149,354**	120,930
	160,939	130,009
(c) Other items:		
Cost of inventories sold #	**523,301**	462,777
Auditor's remuneration		
– audit services	**1,344**	1,055
– tax services	**227**	189
– other services	**17**	101
Depreciation #		
– owned assets	**38,660**	35,261
– assets held under finance leases	**917**	1,886
Amortisation of land lease premium #	**717**	890
Operating lease charges for land and buildings #	**2,685**	2,441
Impairment loss on trade debtors	**13**	—
Reversal of impairment loss on trade debtors	**(785)**	(11)
Net loss/(gain) on forward exchange contracts	**37**	(940)

Cost of inventories includes $150,725,000 (2011: $123,644,000) 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.

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6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012	2011
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**10,699**	1,455
Over-provision in respect of prior years	**—**	(817)
	10,699	638
Current tax – Outside Hong Kong		
Provision for the year	**4,390**	5,219
Deferred tax		
Origination and reversal of temporary differences	**(9,581)**	(1,669)
	5,508	4,188

Hong Kong Profits Tax

The provision for Hong Kong Profits Tax for the year ended 31st March, 2012 is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.

People's Republic of China ("PRC") Corporate Income Tax

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

The statutory income tax rate adopted by the Company's subsidiaries in the PRC is 25% with effect from 1st 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 31st December, 2007. NISPP enjoys the remaining tax holiday until its expiry on 31st December, 2011.

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6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(a) Taxation in the consolidated income statement represents: *(Continued)*

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 ("U.S.") are subject to U.S. Corporate Income Tax at a rate of 15% (2011: 15%).

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

	2012	2011
	$'000	*$'000*
Profit before taxation	**24,917**	20,580
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	**4,784**	3,957
Tax effect of non-deductible expenses	**2,125**	1,410
Tax effect of non-taxable revenue	**(768)**	(35)
Tax effect of utilisation of prior years' unrecognised tax losses	**—**	(327)
Tax effect of recognition of previously unrecognised temporary differences	**(633)**	—
Over-provision in respect of prior years	**—**	(817)
Actual tax expense	**5,508**	4,188

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7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

For the year ended 31st March, 2012

	Directors' fees $'000	Discretionary bonuses $'000	Salaries, allowances and benefits $'000	Retirement scheme contributions $'000	Total $'000
Executive Directors					
Mr. Lo Ming Chi, Charles	—	63	600	33	696
Ms. Chan Yuk Yee	—	37	360	20	417
Mr. Dai Zhongcheng[i]	—	5	360	18	383
Independent Non-executive Directors					
Dr. Wong Yun Kuen	50	—	—	—	50
Mr. Pun Chi Ping	50	—	—	—	50
Mr. Ip Man Tin, David	50	—	—	—	50
	150	105	1,320	71	1,646

[i] *Resigned on 27th April, 2012*

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(Expressed in Hong Kong dollars unless otherwise indicated)

7 DIRECTORS' REMUNERATION *(Continued)*

For the year ended 31st March, 2011

	Directors' fees $'000	Discretionary bonuses $'000	Salaries, allowances and benefits $'000	Retirement scheme contributions $'000	Total $'000
Executive Directors					
Mr. Lo Ming Chi, Charles(ii)	—	—	302	15	317
Ms. Chan Yuk Yee(ii)	—	—	181	9	190
Mr. Dai Zhongcheng(vi)(vii)	—	—	146	7	153
Madam So Chau Yim Ping, BBS, JP(iii)	—	—	405	12	417
Mrs. Fung So Ka Wah, Karen(iii)	—	—	406	19	425
Mrs. Cheong So Ka Wai, Patsy(iii)	—	—	406	19	425
Mr. So Wah Shum, Conrad(iii)	—	—	551	25	576
Non-executive Director					
Mr. Ting Woo Shou, Kenneth, SBS, JP(iii)	28	—	—	—	28
Independent Non-executive Directors					
Dr. Wong Yun Kuen(iv)	22	—	—	—	22
Mr. Pun Chi Ping(iv)	22	—	—	—	22
Mr. Ip Man Tin, David(vi)	20	—	—	—	20
Mr. Hui Yin Fat, O.B.E., JP(iii)	28	—	—	—	28
Mr. She Chiu Shun, Ernest(v)	30	—	—	—	30
Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP(v)	30	—	—	—	30
	180	—	2,397	106	2,683

(ii) *Appointed on 30th September, 2010*
(iii) *Resigned on 21st October, 2010*
(iv) *Appointed on 21st October, 2010*
(v) *Resigned on 5th November, 2010*
(vi) *Appointed on 5th November, 2010*
(vii) *Resigned a 27th April, 2012*

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8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The aggregate emoluments of the five (2011: five) individuals with the highest emoluments are as follows:

	2012	2011
	$'000	*$'000*
Salaries, allowances and benefits in kind	**5,233**	5,475
Discretionary bonuses	**91**	120
Retirement scheme contributions	**139**	235
	5,463	5,830

The emoluments of the five (2011: five) individuals with the highest emoluments are within the following bands:

	2012	2011
	Number of individuals	*Number of individuals*
Nil to $1,000,000	**1**	—
$1,000,001 to $1,500,000	**4**	4
$1,500,001 to $2,000,000	**—**	1
	5	5

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of $1,047,000 (2011: profit of $17,079,000) which has been dealt with in the financial statements of the Company.

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10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company for the year of $19,114,000 (2011: $16,316,000) and the weighted average of 2,665,290,000 (2011: 2,386,824,000) ordinary shares outstanding during the year, calculated as follows:

	2012 Number of shares *'000*	2011 Number of shares *'000*
Issued ordinary shares at 1st April	**2,665,290**	222,529
Effect of placement of new shares (note 25(c)(i))	**—**	16,154
Effect of share subdivision (note 25(c)(iii))	**—**	2,148,141
Weighted average number of ordinary shares at 31st March	**2,665,290**	2,386,824

(b) Diluted earnings per share

There were no dilutive potential shares during the years ended 31st March, 2012 and 2011, and diluted earnings per share are the same as basic earnings per share.

11 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.

— 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 with the exception of unallocated corporate 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.

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11 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 years ended 31st March, 2012 and 2011 is set out below.

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

	Dongguan and Hong Kong		Shanghai		Total	
	2012	2011	**2012**	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**420,301**	367,325	**213,831**	203,008	**634,132**	570,333
Inter-segment revenue	**24,972**	23,106	**—**	755	**24,972**	23,861
Reportable segment revenue	**445,273**	390,431	**213,831**	203,763	**659,104**	594,194
Reportable segment profit	**13,999**	3,276	**5,170**	13,263	**19,169**	16,539
Reportable segment assets	**407,545**	413,748	**259,600**	256,348	**667,145**	670,096
Reportable segment liabilities	**199,730**	174,471	**30,686**	34,913	**230,416**	209,384

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(Expressed in Hong Kong dollars unless otherwise indicated)

11 SEGMENT REPORTING *(Continued)*

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

	2012 $'000	2011 $'000
Revenue		
Reportable segment revenue	**659,104**	594,194
Elimination of inter-segment revenue	**(24,972)**	(23,861)
Consolidated turnover	**634,132**	570,333
Profit		
Reportable segment profit	**19,169**	16,539
Elimination of inter-segment profit	**—**	(147)
Reportable segment profit derived from the Group's external customers	**19,169**	16,392
Unallocated corporate profit	**240**	—
Consolidated profit	**19,409**	16,392
Assets		
Reportable segment assets	**667,145**	670,096
Elimination of inter-segment receivables	**(17,652)**	(11,921)
	649,493	658,175
Unallocated corporate assets	**56,049**	—
Consolidated total assets	**705,542**	658,175
Liabilities		
Reportable segment liabilities	**230,416**	209,384
Elimination of inter-segment payables	**(17,652)**	(11,921)
	212,764	197,463
Unallocated corporate liabilities	**20**	—
Consolidated total liabilities	**212,784**	197,463

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11 SEGMENT REPORTING *(Continued)*

(c) Geographical information

As the Group's business participates in only one geographical location classified by the location of assets, i.e. the PRC, including Hong Kong, no separate geographical segment analysis based on the location of assets is presented. The following table sets out information about the geographical location of revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered to:

	2012	2011
	$'000	*$'000*
Hong Kong	**109,552**	91,024
Other areas of the PRC	**277,263**	261,858
United States	**116,267**	125,519
Europe	**66,222**	34,081
Other countries	**64,828**	57,851
	634,132	570,333

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12 FIXED ASSETS

(a) The Group

	Land and buildings	Machinery		Tools	Furniture and fixtures	Computer and office equipment	Motor vehicles	Sub-total	Interests in leasehold land held for own use under operating leases	Total fixed assets
		Owned	Leased							
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:										
At 1st April, 2010	281,233	291,987	74,959	8,440	24,738	36,552	7,627	725,536	40,082	765,618
Exchange adjustments	8,085	4,930	2,342	—	228	955	142	16,682	1,117	17,799
Additions	125	24,491	—	—	294	3,603	1,237	29,750	—	29,750
Reclassification	—	57,407	(57,407)	—	—	—	—	—	—	—
Reclassified as non-current assets held for sale (note 18)	(97,435)	—	—	—	—	—	—	(97,435)	(14,296)	(111,731)
Disposals	(917)	(1,807)	—	(230)	(13)	(319)	(495)	(3,781)	(719)	(4,500)
At 31st March, 2011	191,091	377,008	19,894	8,210	25,247	40,791	8,511	670,752	26,184	696,936
Accumulated amortisation and depreciation:										
At 1st April, 2010	93,529	204,578	35,206	7,827	22,996	33,243	6,591	403,970	10,550	414,520
Exchange adjustments	2,766	2,661	1,050	—	171	875	121	7,644	286	7,930
Charge for the year	11,282	20,484	1,886	212	621	2,165	497	37,147	890	38,037
Reclassification	—	27,068	(27,068)	—	—	—	—	—	—	—
Reclassified as non-current assets held for sale (note 18)	(31,307)	—	—	—	—	—	—	(31,307)	(4,194)	(35,501)
Written back on disposals	(265)	(1,357)	—	(217)	(13)	(307)	(485)	(2,644)	(141)	(2,785)
At 31st March, 2011	76,005	253,434	11,074	7,822	23,775	35,976	6,724	414,810	7,391	422,201
Net book value:										
At 31st March, 2011	115,086	123,574	8,820	388	1,472	4,815	1,787	255,942	18,793	274,735

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12 FIXED ASSETS *(Continued)*

(a) The Group *(Continued)*

	Land and buildings $'000	Machinery Owned $'000	Machinery Leased $'000	Tools $'000	Furniture and fixtures $'000	Computer and office equipment $'000	Motor vehicles $'000	Sub-total $'000	Interests in leasehold land held for own use under operating leases $'000	Total fixed assets $'000
Cost:										
At 1st April, 2011	191,091	377,008	19,894	8,210	25,247	40,791	8,511	670,752	26,184	696,936
Exchange adjustments	6,995	7,017	136	—	208	870	126	15,352	968	16,320
Additions	83,961	24,766	—	—	3,493	3,694	1,352	117,266	—	117,266
Reclassification	—	20,030	(20,030)	—	—	—	—	—	—	—
Disposals	—	(800)	—	(176)	(17,971)	(23)	(1,644)	(20,614)	—	(20,614)
At 31st March, 2012	282,047	428,021	—	8,034	10,977	45,332	8,345	782,756	27,152	809,908
Accumulated amortisation and depreciation:										
At 1st April, 2011	76,005	253,434	11,074	7,822	23,775	35,976	6,724	414,810	7,391	422,201
Exchange adjustments	2,860	3,768	63	—	169	797	97	7,754	281	8,035
Charge for the year	11,376	23,327	917	129	593	2,491	744	39,577	717	40,294
Reclassification	—	12,054	(12,054)	—	—	—	—	—	—	—
Written back on disposals	—	(707)	—	(176)	(17,834)	(23)	(1,644)	(20,384)	—	(20,384)
At 31st March, 2012	90,241	291,876	—	7,775	6,703	39,241	5,921	441,757	8,389	450,146
Net book value:										
At 31st March, 2012	191,806	136,145	—	259	4,274	6,091	2,424	340,999	18,763	359,762

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12 FIXED ASSETS *(Continued)*

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

	The Group	
	2012	2011
	$'000	*$'000*
Situated in Hong Kong and held under medium term leases	**77,508**	—
Situated outside Hong Kong and held under medium term leases	**133,061**	133,879
	210,569	133,879
Representing:		
Land and buildings	**191,806**	115,086
Interests in leasehold land held for own use under operating leases	**18,763**	18,793
	210,569	133,879

13 DEPOSITS FOR PURCHASES OF MACHINERY

As at 31st March, 2012, the Group made deposits of $4,356,000 (2011: $4,684,000) for the acquisition of machinery. The remaining amounts of the contracts are included in capital commitments (note 28(a)).

14 INTERESTS IN SUBSIDIARIES

	The Company	
	2012	2011
	$'000	*$'000*
Unlisted investments, at cost	**82,360**	82,360
Amounts due from subsidiaries	**161,697**	162,857
	244,057	245,217

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

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14 INTERESTS IN SUBSIDIARIES *(Continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation/ establishment and operation	Particulars of issued/ registered capital	Percentage of ownership interest held by the Company directly	Percentage of ownership interest held by the Company indirectly	Principal activities
New Island Printing Company Limited ("NIPCL")	Hong Kong	2 ordinary shares of $100 each 10,000 non-voting deferred shares of $100 each	—	100	Distribution of paper products
Dongguan New Island Printing Company Limited ("DNIP")	The PRC	Registered capital of $100,000,000	—	100	Production and distribution of paper products
Shanghai New Island Packaging Printing Company Limited ("SNIP")	The PRC	Registered capital of US$5,700,000	—	100	Production and distribution of paper products
New Island (Shanghai) Paper Products Company Limited ("NISPP")	The PRC	Registered capital of US$2,500,000	—	100	Production of paper products
NITNS LLC	The United States of America	100 ordinary shares of US$1 each	—	51	Provision of marketing services
New Island Property Limited	Hong Kong	2 ordinary shares of $1 each	—	100	Property holding
New Island Investment Holdings Limited	Hong Kong	1 ordinary share of $1	—	100	Securities holding

DNIP was set up in 1992 as an equity joint venture between the Company's subsidiary, NIPCL, and Dongguan Dalingshan Economic Development Company ("DDEDC") with equity interests of 70% and 30% respectively. DDEDC's 30% equity interest was transferred to NIPCL pursuant to the approval letter from Dongguan Municipal Foreign Economic Trade Committee on 28th March, 1996. Following the transfer, DNIP effectively became a wholly-owned subsidiary of the Group. DNIP has an operating period of 35 years expiring on 13th March, 2027.

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14 INTERESTS IN SUBSIDIARIES *(Continued)*

SNIP was set up in 1995 as a wholly-owned foreign enterprise. SNIP has an operating period of 20 years expiring on 1st March, 2015.

NISPP was set up in 2002 as a wholly-owned foreign enterprise. NISPP has an operating period of 30 years expiring on 27th January, 2032.

15 TRADING SECURITIES

	The Group	
	2012	2011
	$'000	*$'000*
Listed equity securities at fair value – in Hong Kong (notes 27(e) and (f))	**41,039**	—

Investments in trading securities are stated at fair value at the balance sheet date (see note 1(i)).

16 INVENTORIES

Inventories in the consolidated balance sheet comprise:

	The Group	
	2012	2011
	$'000	*$'000*
Raw materials	**53,346**	64,799
Work in progress	**12,980**	17,132
Finished goods	**23,225**	16,867
	89,551	98,798

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2012	2011
	$'000	*$'000*
Carrying amount of inventories sold	**521,839**	459,912
Write-down of inventories	**1,462**	2,865
	523,301	462,777

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17 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Trade debtors	**103,613**	103,440	—	—
Less: Allowance for doubtful debts (note 17(b))	**(7,755)**	(8,520)	—	—
	95,858	94,920	—	—
Other receivables	**6,561**	5,137	—	—
Deposits and prepayments	**17,705**	1,520	**330**	282
	120,124	101,577	**330**	282
Derivative financial instruments (notes 27(d) and (f))	**51**	883	—	—
	120,175	102,460	**330**	282

All trade and other receivables, apart from deposits of the Group amounting to $1,262,000 (2011: $804,000), are expected to be recovered or recognised as expenses within one year. Included in deposits and prepayments is a deposit of $15,000,000 for the consideration of acquiring 70% equity interests in CEPA Alliance Holdings Limited. Please refer to note 28(a) for details of the transaction. Other receivables, deposits and prepayments are neither past due nor impaired.

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis:

	The Group	
	2012	2011
	$'000	*$'000*
Current	**92,285**	90,460
Less than one month past due	**1,284**	1,623
One to three months past due	**1,761**	2,709
Over three months past due	**528**	128
	95,858	94,920

The Group's credit policy is set out in note 27(a).

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17 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)(i)).

The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	The Group	
	2012	2011
	$'000	*$'000*
At 1st April	**8,520**	8,534
Exchange adjustments	**7**	9
Impairment loss recognised	**13**	—
Uncollectible amounts written off	**—**	(12)
Reversal of impairment loss	**(785)**	(11)
At 31st March	**7,755**	8,520

At 31st March, 2012, the Group's trade debtors of $7,755,000 (2011: $8,520,000) were individually determined to be impaired. The individually impaired receivables related to customers that were default in payments and management assessed that the receivables are not expected to be recovered. Consequently, specific allowance for doubtful debts of $7,755,000 (2011: $8,520,000) was recognised. The Group does not hold any collateral over these balances.

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17 TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2012	2011
	$'000	*$'000*
Neither past due nor impaired	**92,285**	90,460
Less than one month past due	**1,284**	1,623
One to three months past due	**1,761**	2,709
Over three months past due	**528**	128
	3,573	4,460
	95,858	94,920

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

18 NON-CURRENT ASSETS HELD FOR SALE

On 22nd December, 2010, the Group entered into a sale and purchase agreement with an independent third party for disposing of a property to the buyer at a consideration of $108,000,000. The property was expected to be sold within twelve months from 22nd December, 2010, and had been classified as non-current assets held for sale and presented separately in the consolidated balance sheet at 31st March, 2011.

At 31st March, 2011, the property was not impaired as the estimated net proceeds exceeded the net carrying amount.

The sale of the property was completed on 1st November, 2011 and a gain on disposal of $13,911,000 was recognised in profit or loss for the year ended 31st March, 2012.

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19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Cash at bank and in hand	**28,007**	20,416	**61**	61
Deposits with bank	**60,730**	80,204	**—**	—
Cash and cash equivalents in the balance sheet	**88,737**	100,620	**61**	61
Cash and cash equivalents in the consolidated cash flow statement	**88,737**	100,620		

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2012**	2011
		$'000	*$'000*
Profit before taxation		**24,917**	20,580
Adjustments for:			
Depreciation and amortisation	*5(c)*	**40,294**	38,037
Interest income	*4(a)*	**(988)**	(361)
Finance costs	*5(a)*	**2,094**	2,306
Net gain on disposal of fixed assets	*4(b)*	**(14,058)**	(34)
Unrealised gain on trading securities	*4(b)*	**(467)**	—
Foreign exchange differences		**2,833**	(112)
		54,625	60,416
Changes in working capital:			
Decrease/(increase) in inventories		**11,043**	(30,871)
Increase in trade and other receivables		**(15,428)**	(2,306)
(Decrease)/increase in trade and other payables		**(16,564)**	11,316
Increase/(decrease) in bills payable		**8,515**	(3,642)
Cash generated from operations		**42,191**	34,913

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20 BANK LOANS

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

	The Group	
	2012	2011
	$'000	*$'000*
Current liabilities		
Bank loans	**13,450**	23,948
Term loans from banks subject to demand repayment	**50,328**	17,180
	63,778	41,128

(b) At 31st March, 2012, bank loans were repayable as follows:

	The Group	
	2012	2011
	$'000	*$'000*
Within one year or on demand	**13,450**	23,948
Current portion of term loans due for repayment within one year	**8,294**	9,120
	21,744	33,068
Term loans due for repayment after one year:		
After one year but within two years	**8,346**	5,560
After two years but within five years	**8,898**	2,500
After five years	**24,790**	—
	42,034	8,060
	63,778	41,128

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20 BANK LOANS *(Continued)*

(c) At 31st March, 2012, bank loans were secured as follows:

	The Group	
	2012	2011
	$'000	*$'000*
Bank loans		
– secured	**35,795**	27,228
– unsecured	**27,983**	13,900
	63,778	41,128

Certain banking facilities and loans granted to the Group are secured by the Group's fixed assets at 31st March, 2012 (2011: fixed assets and trade debtors). Assets pledged under such facilities are as follows:

	2012	2011
	$'000	*$'000*
Fixed assets	**76,907**	94,075
Trade debtors	**—**	23,243
	76,907	117,318

The above secured banking facilities amounted to $45,795,000 (2011: $115,859,000) which were utilised to the extent of $43,247,000 (2011: $40,148,000) at 31st March, 2012, comprising bank loans of $35,795,000 (2011: $27,228,000) and bills payable of $7,452,000 (2011: $12,920,000).

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet 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. Further details of the Group's management of liquidity risk are set out in note 27(b). As at 31st March, 2012 and 2011, none of the bank covenants relating to drawn down facilities had been breached.

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21 OBLIGATIONS UNDER FINANCE LEASES

At 31st March, 2012, the Group had obligations under finance leases repayable as follows:

	2012			2011		
	Present value of the minimum lease payments	**Interest expense relating to future periods**	**Total minimum lease payments**	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Within one year	**—**	**—**	**—**	2,413	15	2,428

22 TRADE AND OTHER PAYABLES

	The Group		**The Company**	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Trade creditors	**59,205**	69,060	**—**	—
Other payables and accrued charges	**48,393**	52,123	**614**	679
	107,598	121,183	**614**	679

All of the trade and other payables are expected to be settled within one year.

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22 TRADE AND OTHER PAYABLES *(Continued)*

(a) Included in trade and other payables are trade creditors with the following ageing analysis:

	The Group	
	2012	2011
	$'000	*$'000*
Current and less than one month past due	**49,103**	43,485
One to three months past due	**7,718**	23,244
More than three months past due	**2,384**	2,331
	59,205	69,060

23 BILLS PAYABLE

An ageing analysis of bills payable is as follows:

	The Group	
	2012	2011
	$'000	*$'000*
Due within one month	**4,394**	3,089
Due after one month but within two months	**13,396**	9,725
Due after two months but within three months	**8,394**	4,855
	26,184	17,669

24 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	The Group	
	2012	2011
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**10,699**	1,455
Provisional Profits Tax paid	**(901)**	(383)
	9,798	1,072
Balance of Profits Tax provision relating to prior years	**1,141**	887
Income tax payable – Hong Kong	**10,939**	1,959
Income tax payable – outside Hong Kong	**1,859**	2,359
	12,798	4,318

24 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation	Provisions	Tax losses	Total
	$'000	*$'000*	*$'000*	*$'000*
Deferred tax arising from:				
At 1st April, 2010	13,329	(1,557)	—	11,772
Exchange adjustments	93	(92)	—	1
Credited to profit or loss	(963)	(706)	—	(1,669)
At 31st March, 2011	12,459	(2,355)	—	10,104
At 1st April, 2011	**12,459**	**(2,355)**	**—**	**10,104**
Exchange adjustments	**83**	**(102)**	**—**	**(19)**
Credited to profit or loss	**(8,583)**	**(908)**	**(90)**	**(9,581)**
At 31st March, 2012	**3,959**	**(3,365)**	**(90)**	**504**

Represented by:

	The Group	
	2012	2011
	$'000	*$'000*
Net deferred tax assets recognised	**(1,922)**	(648)
Net deferred tax liabilities recognised	**2,426**	10,752
	504	10,104

(c) Deferred tax assets not recognised:

At 31st March, 2012, the Group had not recognised deferred tax assets in respect of deductible temporary differences of $Nil (2011: $2,203,000) as it was not probable that future taxable profits against which the deductible temporary differences could be utilised would be available in the relevant tax jurisdiction and entity.

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24 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(d) Deferred tax liabilities not recognised:

At 31st March, 2012, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to $95,460,000 (2011: $80,776,000). Deferred tax liabilities of $4,773,000 (2011: $4,039,000) representing the tax payable upon the distribution of such retained profits have not been recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Share capital *$'000*	Share premium *$'000* *(note 25 (d)(i))*	Contributed surplus *$'000* *(note 25 (d)(ii))*	Retained profits *$'000*	Total *$'000*
At 1st April, 2010	22,253	37,741	67,360	9,667	137,021
Share placement (note 25 (c)(i))	4,400	94,170	—	—	98,570
Profit for the year (note 9)	—	—	—	17,079	17,079
Dividends approved in respect of the previous year	—	—	—	(7,789)	(7,789)
At 31st March, 2011	26,653	131,911	67,360	18,957	244,881
At 1st April, 2011	**26,653**	**131,911**	**67,360**	**18,957**	**244,881**
Loss for the year (note 9)	—	—	—	**(1,047)**	**(1,047)**
At 31st March, 2012	**26,653**	**131,911**	**67,360**	**17,910**	**243,834**

The Company's reserves available for distribution to shareholders at 31st March, 2012 are $85,270,000 (2011: $86,317,000).

(b) Dividends

The directors of the Company do not recommend the payment of a final dividend for the year ended 31st March, 2012 (2011: $Nil per share).

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25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

	Note	**Ordinary shares** ***'000***	**Amount** ***$'000***
Authorised:			
380,000,000 shares of $0.1 each at 1st April, 2010		380,000	38,000
Increase in authorised share capital	*(ii)*	3,620,000	362,000
Shares subdivision	*(iii)*	36,000,000	—
40,000,000,000 shares of $0.01 each at 31st March, 2011 and 2012		**40,000,000**	**400,000**
Issued and fully paid:			
222,529,000 shares of $0.1 each at 1st April, 2010		222,529	22,253
Share placement	*(i)*	44,000	4,400
Share subdivision	*(iii)*	2,398,761	—
2,665,290,000 shares of $0.01 each at 31st March, 2011 and 2012		**2,665,290**	**26,653**

(i) On 17th November, 2010, a placement of 44,000,000 new shares at par value of $0.1 each was completed. The placing price was $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 $94,170,000 was recognised in share premium account.

(ii) Pursuant to a resolution passed at a Special General Meeting held on 20th December, 2010, the authorised share capital of the Company was approved to increase from $38,000,000 divided into 380,000,000 shares to $400,000,000 divided into 4,000,000,000 shares.

(iii) Pursuant to a resolution passed at a Special General Meeting held on 20th December, 2010, a share subdivision (the "Share Subdivision") was approved. Each of the existing issued and unissued shares of $0.1 each in the share capital of the Company was subdivided into 10 shares of $0.01 each. On 20th December, 2010, the authorised share capital of the Company was $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 $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.

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25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Contributed surplus

The excess value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation scheme in 1993 over the nominal value of the new shares of the Company issued in exchange is credited to the contributed surplus account. Under the Companies Act and the bye-laws of the Company, the contributed surplus is distributable to shareholders under certain circumstances.

(iii) Statutory surplus reserve

In accordance with the prevailing PRC laws and regulations, a wholly-owned foreign enterprise is required to transfer a certain percentage of its profit after taxation to a statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital of the enterprise. The transfer to the reserve has to be made before distribution of dividends to shareholders. The statutory surplus reserve can be used to make good previous years' losses, and is not distributable to shareholders.

(iv) Exchange reserve

The exchange reserve has been set up and will be dealt with in accordance with the accounting policy adopted for foreign currency translation (note 1(r)).

(v) Other reserves

Other reserves were set up by the Company's PRC subsidiaries in accordance with their articles of association. The amounts to be transferred to these reserves are determined by the respective board of directors. They can be used to convert into paid-up capital, and are not distributable to shareholders.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

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25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Capital management *(Continued)*

Consistent with the industry practice, the Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, bills payable and obligations under finance leases) less cash and cash equivalents. Capital comprises all components of equity.

During the year ended 31st March, 2012, the Group's strategy, which was unchanged from the prior year, was to lower the net debt-to-capital ratio. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends payable to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-capital ratios at 31st March, 2012 and 2011 were as follows:

		The Group	
	Note	**2012**	2011
		$'000	*$'000*
Current liabilities:			
Bank loans	*20*	**63,778**	41,128
Obligations under finance leases	*21*	**—**	2,413
Bills payable	*23*	**26,184**	17,669
Total debt		**89,962**	61,210
Less: Cash and cash equivalents	*19*	**88,737**	100,620
Net debt		**1,225**	(39,410)
Total equity		**492,758**	460,712
Net debt-to-capital ratio		**0.002**	(0.086)

As disclosed in note 20, the Group is subject to externally imposed capital requirements under covenants relating to certain banking facilities.

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26 CONTINGENT LIABILITIES

At 31st March, 2012, the Company has given guarantees to banks to secure banking facilities of \$181,328,000 (2011: \$170,023,000) granted to its subsidiaries.

At the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees is the amount of the facilities drawn down by all the subsidiaries which are covered by the guarantees, being \$89,962,000 (2011: \$57,645,000).

The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured and their transaction price is \$Nil.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade debtors, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. These receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which the customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a concentration of credit risk as 10% (2011: 7%) and 20% (2011: 15%) of the total trade debtors were due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in note 17.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

For term loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The Group

	2012							2011						
	Contractual undiscounted cash outflow							Contractual undiscounted cash outflow						
	On demand $'000	Within 1 year $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total contractual undiscounted cash flow $'000	Balance sheet carrying amount at 31st March, 2012 $'000	On demand $'000	Within 1 year $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total contractual undiscounted cash flow $'000	Balance sheet carrying amount at 31st March, 2011 $'000
Trade and other payables	–	107,598	–	–	–	107,598	107,598	–	121,183	–	–	–	121,183	121,183
Bills payable	–	26,326	–	–	–	26,326	26,184	–	17,780	–	–	–	17,780	17,669
Term loans subject to repayment on demand clauses:														
scheduled repayments	–	9,353	9,234	10,986	27,737	57,310	50,328	–	9,356	5,629	2,545	–	17,530	17,180
Other bank loans	–	13,450	–	–	–	13,450	13,450	–	24,025	–	–	–	24,025	23,948
Finance lease obligations	–	–	–	–	–	–	–	–	2,428	–	–	–	2,428	2,413
	–	156,727	9,234	10,986	27,737	204,684	197,560	–	174,772	5,629	2,545	–	182,946	182,393
Adjustments to disclose cash flows on term loans based on lender's right to demand repayment	50,328	(9,353)	(9,234)	(10,986)	(27,737)	(57,310)		17,180	(9,356)	(5,629)	(2,545)	–	(17,530)	
	50,328	147,374	–	–	–	147,374		17,180	165,416	–	–	–	165,416	

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27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

	2012							2011						
	Contractual undiscounted cash outflow							Contractual undiscounted cash outflow						
	On demand $'000	Within 1 year $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total contractual undiscounted cash flow $'000	Balance sheet carrying amount at 31st March, 2012 $'000	On demand $'000	Within 1 year $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total contractual undiscounted cash flow $'000	Balance sheet carrying amount at 31st March, 2011 $'000
Accrued charges	–	614	–	–	–	614	614	–	679	–	–	–	679	679

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings at the balance sheet date. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the balance sheet date.

	2012		2011	
	Effective interest rate %	***$'000***	Effective interest rate %	*$'000*
Variable rate borrowings:				
Finance lease obligations	—	—	1.55	2,413
Bank loans	**2.23**	**63,778**	2.36	41,128
Bills payable	**2.09**	**26,184**	2.04	17,669
		89,962		61,210

(ii) Sensitivity analysis

At 31st March, 2012 it is estimated that a general increase/decrease of 100 (2011: 100) basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately $751,000 (2011: $508,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. The analysis is performed on the same basis for the year ended 31st March, 2011.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk

The Group is exposed to foreign currency risk on sales that are denominated in currencies other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States dollars ("USD"). The functional currency of the operations to which such risks 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 would be receivable from the bank. If the exchange rate of USD to RMB appreciates above the contracted rate at the determination date, an amount would be payable by the Group. The amount payable by the Group would be a function of the settlement amount and the difference between the contracted rate and the exchange rate of USD to RMB at the determination date. The First Contract expired on 30th March, 2012.

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 31st March, 2012, the fair value of the Second Contract amounted to $51,000 (asset) (31st March, 2011: $Nil) which was recognised under trade and other receivables 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 Second Contract.

In December 2010, the Group entered into a contract to purchase a set of machinery at a total consideration of EUR1,460,000. The Group had entered into forward exchange contracts with a view to hedge the said transaction. All such forward exchange contracts were executed during the year ended 31st March, 2012 and there were no outstanding forward exchange contracts as at 31st March, 2012.

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 imbalances.

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(Expressed in Hong Kong dollars unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk *(Continued)*

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rates at the balance sheet date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2012		2011	
	USD	**Euros**	USD	Euros
	$'000	***$'000***	*$'000*	*$'000*
Cash and cash equivalents	**9,824**	**17**	4,487	12
Trade and other receivables	**37,569**	**—**	43,167	1,582
Trade and other payables	**(8,952)**	**(378)**	(19,959)	(444)
Bills payable	**(11,166)**	**—**	(1,580)	—
Exposure arising from recognised assets and liabilities	**27,275**	**(361)**	26,115	1,150
Notional amounts of non-deliverable structured forward contracts	**(108,581)**	**—**	(93,360)	—
Overall net exposure	**(81,306)**	**(361)**	(67,245)	1,150

(ii) Sensitivity analysis

At 31st March, 2012, it is estimated that a general increase/decrease of 5% in the Euro exchange rate, assuming all other risk variables remained constant, would have decreased/increased the Group's profit after tax and retained profits by approximately $15,000 (2011: increased/decreased by $48,000). In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. At 31st March, 2012, in connection with the non-deliverable structured forward contract, it is estimated that a general increase of 5% in the exchange rate of USD to RMB, would have decreased the Group's profit after tax by $2,198,000 (2011: $292,000). The Group's profit after tax would have increased by $325,000 (2011: $780,000) if the exchange rate of USD to RMB decreases by 5%.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis *(Continued)*

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for the year ended 31st March, 2011.

(e) Equity price risk

The Group is exposed to equity price changes arising from trading securities (see note 15).

The Group's equity investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to industry indicators, as well as the Group's liquidity needs.

At 31st March, 2012, it is estimated that an increase/decrease of 10% in the relevant price risk variables, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately $3,427,000.

The sensitivity analysis indicates the instantaneous change on the Group's profit after tax and retained profits that would arise assuming that the changes in the relevant risk variables had occurred at the balance sheet date and had been applied to re-measure those financial instruments which expose the Group to equity price risk at the balance sheet date. It is also assumed that the fair values of the Group's equity investments would change in accordance with their historical correlation with the relevant risk variables, that none of the Group's trading securities would be considered impaired as a result of the decrease in the relevant risk variables, and that all other variables remain constant.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(f) Fair values

(i) Financial instruments carried at fair value

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

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The Group

	2012		2011	
	$'000	***$'000***	*$'000*	*$'000*
	Level 1	**Level 2**	Level 1	Level 2
Assets				
Trading securities	**41,039**	**—**	—	—
Derivative financial instruments	**—**	**51**	—	883

During the years ended 31st March, 2012 and 2011, there were no significant transfers between financial instruments in different levels.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(f) Fair values *(Continued)*

(ii) Estimation of fair values

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

All other financial assets and liabilities are carried at amounts not materially different from their fair values at 31st March, 2012 and 2011.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(1) Interest-bearing loans and borrowing and finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(2) Derivatives

Forward exchange contracts are either measured using quoted prices in active markets for similar financial instruments, or using the valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

(3) Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

For the year ended 31st March, 2012
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28 COMMITMENTS

(a) Capital commitments outstanding at 31st March, 2012 not provided for in the financial statements were as follows:

	The Group	
	2012	2011
	$'000	*$'000*
Contracted for	**26,359**	17,036

On 16th February, 2012, the Group entered into a sale and purchase and subscription agreement ("the Agreement") with CEPA Alliance Holdings Limited ("CEPA Holdings") and three existing shareholders of CEPA Holdings ("the Vendors") to acquire 6,000 issued shares (representing 66.67% of the issued share capital) of CEPA Holdings from the Vendors at a consideration of $30,000,000 and to subscribe for 1,000 allotted shares of CEPA Holdings at a consideration of $5,000,000. Upon completion of the acquisition, the Group shall hold 70% of the then issued share capital of CEPA Holdings.

At 31st March, 2012, the acquisition has not been completed and is subject to fulfilment of certain conditions in the Agreement. Pursuant to the Agreement, the Group paid a deposit of $15,000,000 (see note 17) to the Vendors for the acquisition on 17th February, 2012. At 31st March, 2012, the Group has an outstanding capital commitment of $20,000,000 for the remaining consideration for the acquisition.

(b) At 31st March, 2012, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	The Group	
	2012	2011
	$'000	*$'000*
Within one year	**4,846**	2,949
After one year but within five years	**13,246**	10,453
After five years	**7,204**	9,453
	25,296	22,855

The Group leases a number of properties under operating leases. The leases run for an initial period of one to fifteen years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

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(Expressed in Hong Kong dollars unless otherwise indicated)

29 RETIREMENT SCHEMES

The Group maintains a mandatory provident fund scheme (the "MPF scheme") for all qualifying employees in Hong Kong. The Group's and employees' contributions to the MPF scheme are based on 5% of the relevant income of the relevant employee (up to $20,000 of monthly compensation) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

Employees of the Group in the PRC are covered by appropriate local retirement schemes pursuant to local labour rules and regulations. The Group's annual contributions to these schemes represent defined contributions, and the Group has no further obligation beyond the contributions made.

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related companies

During the year ended 31st March, 2011, the Group sold packaging products to companies which are controlled by a former non-executive director amounted to $6,447,000, 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 of the Group, including amounts paid to the Company's directors and the highest paid employees as disclosed in notes 7 and 8 respectively.

31 IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

The directors consider the immediate parent and ultimate controlling party of the Group at 31st March, 2012 to be Plus Wealthy Limited, incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

32 NON-ADJUSTING POST BALANCE SHEET EVENTS

Since the balance sheet date and as at the date of these financial statements, the market value of the listed equity securities held by the Group, which are classified as financial assets at fair value through profit or loss in the consolidated balance sheet (see note 15), declined by approximately $19,624,000 based on the closing market price of these listed equity securities as at the date of these financial statements.

For the year ended 31st March, 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST MARCH, 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31st March, 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 9, *Financial instruments*	1 January 2015
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements (2011)*	1 January 2013

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

(Expressed in Hong Kong dollars)

	2008 *$'000*	2009 *$'000*	2010 *$'000*	2011 *$'000*	**2012** ***$'000***
Operating results					
Turnover	534,791	597,028	519,452	570,333	**634,132**
Profit from operations	27,663	39,300	40,591	22,886	**27,011**
Finance costs	(16,658)	(10,491)	(3,553)	(2,306)	**(2,094)**
Profit before taxation	11,005	28,809	37,038	20,580	**24,917**
Income tax	(3,402)	(5,650)	(12,639)	(4,188)	**(5,508)**
Profit for the year	7,603	23,159	24,399	16,392	**19,409**
Attributable to:					
Equity shareholders of the Company	7,603	23,159	24,248	16,316	**19,114**
Non-controlling interests	—	—	151	76	**295**
Profit for the year	7,603	23,159	24,399	16,392	**19,409**
	(Restated)	(Restated)	(Restated)		
Assets and liabilities					
Non-current assets	410,357	384,477	353,530	280,067	**366,040**
Net current assets/(liabilities)	(54,954)	(25,582)	3,140	191,397	**129,144**
Total assets less current liabilities	355,403	358,895	356,670	471,464	**495,184**
Non-current liabilities	(61,249)	(39,460)	(14,183)	(10,752)	**(2,426)**
	294,154	319,435	342,487	460,712	**492,758**
Share capital	22,253	22,253	22,253	26,653	**26,653**
Reserves	271,901	297,182	320,083	433,847	**465,598**
Total equity attributable to equity shareholders of the Company	294,154	319,435	342,336	460,500	**492,251**
Non-controlling interests	—	—	151	212	**507**
Total equity	294,154	319,435	342,487	460,712	**492,758**

Note: As a result of the application of Hong Kong Interpretation 5, *Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause*, issued by the Hong Kong Institute of Certified Public Accountants in November 2010, certain figures were restated to the extent that the Interpretation was adopted retrospectively.