NEW ISLAND PRINTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 0377)

RESULTS FOR THE YEAR ENDED 31ST MARCH, 2007

RESULTS

The board of directors ("the Directors") of New Island Printing Holdings Limited ("the Company") announces the consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31st March, 2007 as follows:—

	Note	2007 HK$'000	2006 HK$'000
Turnover	3 & 4	494,612	443,088
Cost of sales		(391,157)	(370,580)
		103,455	72,508
Other revenue		7,795	4,116
Other net income/(loss)		5,106	(757)
Selling and distribution costs		(26,123)	(27,337)
Administrative expenses		(57,569)	(53,900)
Profit/(loss) from operations		32,664	(5,370)
Finance costs	5(a)	(18,582)	(15,879)
Profit/(loss) before taxation	5	14,082	(21,249)
Income tax	6	(7,895)	(1,864)
Profit /(loss) for the year		6,187	(23,113)
Earnings/(loss) per share	7		
- Basic		HK 2.78 cents	HK(10.39) cents
- Diluted		HK 2.78 cents	HK(10.39) cents

	Note	2007		2006	
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets					
-Property, plant and equipment		378,074		409,338	
-Interest in leasehold land held for own use under operating leases		29,943		30,696	
			408,017		440,034
Current assets					
Inventories		74,032		78,786	
Trade debtors, prepayments and deposits	8	108,720		85,575	
Current taxation recoverable		3,764		3,924	
Pledged bank deposits		11,134		9,615	
Cash and cash equivalents		43,160		20,361	
		240,810		198,261	
Current liabilities					
Bank loans and overdrafts		130,391		254,294	
Obligations under finance leases		15,805		—	
Trade creditors and accrued charges	9	85,192		64,257	
Bills payable		17,447		49,516	
Current taxation payable		1,817		1,219	
		250,652		369,286	
Net current liabilities			(9,842)		(171,025)
Total assets less current liabilities			398,175		269,009
Non-current liabilities					
Bank loans		82,977		6,000	
Obligations under finance leases		33,426		—	
Deferred taxation		19,220		19,169	
			(135,623)		(25,169)
NET ASSETS			262,552		243,840
CAPITAL AND RESERVES					
Share capital			22,253		22,253
Reserves			240,299		221,587
TOTAL EQUITY			262,552		243,840

NOTES

1. Statement of compliance

The financial information has 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") and accounting principles generally accepted in Hong Kong. The financial information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31st March, 2007 but is derived from those financial statements.

2. Changes in accounting policies

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. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in the financial statements.

Financial guarantees issued (Amendments to HKAS 39, Financial instruments: Recognition and measurement: financial guarantee contracts)

In prior years, financial guarantees issued by the Company were disclosed as contingent liabilities in accordance with HKAS 37, Provisions, contingent liabilities and contingent assets. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantees would be called upon.

With effect from 1st April, 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Company has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37.

The change in accounting policy has no material impact on the financial statements of the Group for the years presented.

3. Turnover

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

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

4. Segment reporting

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of assets is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

No business segment information is presented as all the Group's turnover and operating result are generated from the printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

Geographical segments by the location of assets and by the location of customers

As the Group's business participates in only one geographical location classified by the location of assets, i.e. the People's Republic of China ("PRC"), no separate geographical segment analysis based on the location of assets is presented.

The Group's geographical segments are also classified according to the location of customers. There are five customer-based geographical segments. Hong Kong and other areas of the PRC are major markets for the Group's business. Segment revenue from external customers by the location of customers is analysed as follows:

	2007 *HK$'000*	2006 *HK$'000*
Hong Kong	99,761	95,591
Other areas of the PRC	224,962	174,781
United States	137,593	144,269
Europe	20,083	17,119
Other countries	12,213	11,328
	494,612	443,088

5. Profit/(loss) before taxation

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

	2007 *HK$'000*	2006 *HK$'000*
(a) Finance costs:		
Finance charges on obligations under finance leases	1,496	4
Interest on bank overdrafts and advances repayable within five years	17,086	16,208
	18,582	16,212
Less: borrowing costs capitalised into properties under development*	—	(333)
	18,582	15,879

* The borrowing costs have been capitalised at a rate of 5.4% per annum.

	2007 *HK$'000*	2006 *HK$'000*
(b) Other items:		
Cost of inventories sold	391,157	370,580
Depreciation		
-owned assets	31,534	36,203
-assets held under finance leases	6,639	172
Amortisation of land lease premium	1,032	834
Net (gain)/loss on disposal of fixed assets	(4,315)	233

6. Income tax

	2007	2006
	HK$'000	*HK$'000*
Current tax — Provision for Hong Kong Profits Tax		
Tax for the year	—	25
Under-provision in respect of prior years	—	55
	—	80
Current tax — PRC income tax		
Tax for the year	7,507	3,368
Under/(over)-provision in respect of prior years	337	(388)
	7,844	2,980
Deferred tax		
Origination and reversal of temporary differences	353	(3,476)
Effect of change in tax rate on deferred tax balances	(302)	2,280
	51	(1,196)
	7,895	1,864

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made in the financial statements for 2007 as the Group has tax losses brought forward which offset the current year's estimated assessable profits. The provision for Hong Kong Profits Tax for 2006 was calculated at 17.5% of the estimated assessable profits for that year.

PRC Income Tax

Pursuant to the income tax rules and regulations of the PRC, Dongguan New Island Printing Company Limited ("DNIP") and Shanghai New Island Packaging Printing Company Limited ("SNIP") are liable to PRC income tax at a rate of 27% (2005/06: 27%). However, DNIP has been granted a tax relief in 2006 as it has been recognised as an Export Enterprise. As a result, it is subject to income tax at an effective rate of 12% for the period from 1st January, 2006 to 31st December, 2006 and a rate of 27% for the period from 1st January, 2007 to 31st March, 2007.

On 16th March, 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which will take effect on 1st January, 2008. As a result of the new tax law, it is expected that the income tax rate for rate for DNIP and SNIP will be reduced to 25% from 1st January, 2008. The new tax rate of 25% has been applied in the measurement of the Group's deferred tax liabilities as at 31st March, 2007 which are expected to be reversed subsequent to 1st January, 2008.

Bermuda tax

Pursuant to the rules and regulations of Bermuda, the Company is not subject to any income tax in Bermuda.

7. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit for the year of HK$6,187,000 (2005/06: loss of HK$23,113,000) and on the number of 222,529,000 shares (2005/06: 222,529,000 shares) in issue during the year.

(b) Diluted earnings/(loss) per share

There were no dilutive potential shares during 2007 and 2006 and diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

8. Trade debtors, prepayments and deposits

All trade debtors, prepayments and deposits, apart from deposits of the Group amounting to HK$1,369,000 (2005/06: HK$1,352,000), are expected to be recovered within one year.

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

	2007 *HK$'000*	2006 *HK$'000*
Current	64,185	46,733
One to three months overdue	22,840	22,373
More than three months overdue	11,433	9,185
	98,458	78,291

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

9. Trade creditors and accrued charges

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

	2007 *HK$'000*	2006 *HK$'000*
Current	32,056	26,839
One to three months overdue	13,470	11,667
More than three months overdue	3,243	471
	48,769	38,977

10. Transfers to reserves

During the year, transfers totaling approximately HK$1,813,000 (2005/06: HK$1,844,000) were made from retained profits to statutory surplus reserve and other reserves.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31st March, 2007 (2005/06: HK$ Nil).

MANAGEMENT DISCUSSIONS AND ANALYSIS

After a difficult and disappointing year in 2005/06, the Group achieved a solid turnaround, particularly in restoring its financial soundness, during the year under review.

The Group reported for the year under review a turnover of approximately HK$494.6 million (2005/06: HK$443.1 million) and turned the losses recorded in the last corresponding period into profits with profit before taxation and profit for the year amounting to approximately HK$14.1 million and approximately

HK$6.2 million respectively (2005/06: losses of HK$21.2 million and HK$23.1 million respectively).

During the year under review, there was an increase in turnover of approximately 11.6% over that of the last corresponding period. The increase in turnover stemmed from the measures taken by the Group to address the seasonal problems that had previously been dragging down the Group's operational performance in the second half of the financial year. To improve capacity utilization, the Group had reallocated certain machinery from the Dongguan plant to the Shanghai plant where demand had remained consistently stable during the low season. The Group had also been dedicating major efforts in developing sales that were less susceptible to seasonal fluctuations. As a result, turnover during the second half of the year increased by approximately 38.4% over that of the last corresponding period and the increase in turnover in the low season was a key factor for the recovery in profitability.

Due largely to the improvement in capacity utilization in the low season, gross profit margin increased from approximately 16.4% in the last corresponding period to approximately 20.9% during the year under review. The increase in gross profit margin also resulted from the enhanced efficiencies following the reorganization of the operational units and plant layout at the Dongguan operations. Gross profit during the year under review therefore increased by approximately 42.7% over that of the last corresponding period. If not because of the sharp rise in labour costs due to the statutory adjustments in minimum wages in Dongguan and Shanghai, the increase in gross profit would have even been stronger.

As part of the reorganization of the plant layout at the Dongguan operations as mentioned above, the Group had disposed of certain machinery and property assets that were surplus to its operational requirements during the year under review. The disposals, which had enabled the Group to better utilize and redeploy its resources to strengthen its financial position while at the same time eliminating the carrying costs associated with such assets, had also generated net disposal gains totaling approximately HK$4.3 million under other net income.

Despite the increase in turnover, selling and distribution costs during the year under review decreased by approximately 4.4% compared to that of the last corresponding period. The decrease in selling and distribution costs was mainly attributable to the lower freight costs arising from a lower level of export sales. Administrative expenses during the year under review, on the other hand, increased by approximately 6.8% over those of the last corresponding period. The increase in administrative expenses was, however, contained at a rate well below the increase in turnover.

Notwithstanding the decline in the total bank borrowings of the Group, finance costs during the year under review increased by approximately 17.0% over those of the last corresponding period on the back of higher interest rates. Meantime, due to the expiry of certain tax relieves for the Group's operations in China, income tax during the year under review increased by more than threefold over that of the last corresponding period.

As a result of the combined effects of the foregoing and due in particular to the improved capacity utilization in the low season, the Group managed to achieve a substantial improvement in its operational performance and turned the losses that exceeded HK$20 million in the last corresponding period to a profit before taxation and a profit for the year under review amounting to approximately HK$14.1 million and approximately HK$6.2 million respectively.

Apart from the measures taken by the Group to improve its operational performance, the Group had also, during the year under review, implemented steps to restore its financial standing. In particular, the Group had been actively refinancing and rebalancing its bank loans portfolio through the arrangements of new additional long term banking facilities. Furthermore, as mentioned above, the Group had disposed of certain machinery and property assets that were surplus to its operational requirements and the disposals had generated additional cash proceeds. Coupled with the improving cash flow from the recovery in the Group's operational performance, the Group had managed to substantially strengthen its balance sheet, particularly its short term liquidity position, with:-

- net current liabilities declining from approximately HK$171 million* as at 31st March, 2006 to less than HK$10 million as at 31st March, 2007;
- short term bank borrowings declining from approximately HK$304 million* as at 31st March, 2006 to approximately HK$164 million as at 31st March, 2007;
- total bank borrowings declining from approximately HK$310 million as at 31st March, 2006 to approximately HK$280 million as at 31st March, 2007;and
- cash holdings (including pledged bank deposits) increasing from approximately HK$30 million as at 31st March, 2006 to approximately HK$54 million as at 31st March, 2007.

The ability of the Group to substantially strengthen its balance sheet in only a twelve month period during the year under review without having to rely on the use of equity financing reflected the solid underlying fundamentals of the Group. The Directors believe the financial standing of the Group had been restored for a sustained recovery and that the substantially strengthened financial position of the Group would enable the Group to finance its long term assets and long term growth with long term capital.

** after the reclassification of certain bank borrowings totaling approximately HK$31 million from non-current liabilities to current liabilities due to the Group's breach of the relevant bank covenants which had subsequently been waived*

FINANCIAL AND CAPITAL RESOURCES

During the year under review, the Group spent approximately HK$22 million on fixed assets investments. These fixed assets investments were generally financed by internally generated resources and bank borrowings. The daily operating activities of the Group were generally funded by internally generated resources and banking facilities.

As at 31st March 2007, the bank borrowings of the Group, which were either denominated in Hong Kong dollars or Chinese Renminbi, amounted to approximately HK$280 million (2005/06: HK$310 million). Of this amount, approximately HK$112 million (2005/06: HK$164 million) was secured by mortgages over the Group's interest in leasehold land under operating leases, buildings, machinery, trade debtors and bank deposits pledged with an aggregate carrying value of approximately HK$276 million (2005/06: HK$186 million). The gearing ratio (defined as total interest-bearing borrowings divided by total assets) of the Group as at 31st March, 2007 was approximately 43.2 % (2005/06: 48.5%).

As discussed in the section headed "MANAGEMENT DISCUSSIONS AND ANALYSIS", during the year under review, the balance sheet, particularly the short term liquidity position, of the Group had substantially been strengthened with net current liabilities declining from approximately HK$171 million* as at 31st March, 2006 to less than HK$10 million as at 31st March, 2007. Subsequent to the year end date, the Group had also arranged new banking facilities totaling approximately HK$16 million. Accordingly, in view of the foregoing, and taking into account the continued banking support and the cash flow to be generated from the Group's operations, the Directors are of the opinion that the Group will be able to have sufficient resources to meet its ongoing obligations and commitments.

** after the reclassification of certain bank borrowings totaling approximately HK$31 million from non-current liabilities to current liabilities due to the Group's breach of the relevant bank covenants which had subsequently been waived*

CONTINGENT LIABILITIES

The Company has given guarantees to banks to secure facilities of HK$307 million (2005/06: HK$382 million) granted to subsidiaries, of which HK$192 million (2005/06: HK$268 million) was utilized at 31st March, 2007.

COMMITMENTS

(a) Capital commitments outstanding at 31st March, 2007, not provided for in the financial statements were as follows:

	2007 *HK$'000*	2006 *HK$'000*
Contracted for	7,104	2,088

(b) At 31st March, 2007, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	2007 *HK$'000*	2006 *HK$'000*
Within one year	397	480
After one year but within five years	815	1,566
After five years	4,503	3,863
	5,715	5,909

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the year ended 31st March, 2007.

AUDIT COMMITTEE

The audit committee comprises three Independent Non-Executive Directors and a Non-Executive Director and reports directly to the Directors. The audit committee meets regularly with the Group's senior management and the Company's external auditors to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company. The audit committee has reviewed the annual results of the Group for the year ended 31st March, 2007.

STAFF

As at 31st March, 2007, the Group had a total staff of 3,493 (2005/06: 3,129) of which 3,421 (2005/06: 3,048) were employed in the PRC for the Group's manufacturing and distribution businesses.

The Group provides employee benefits such as staff insurance, retirement schemes and discretionary bonus and also provides in-house training programmes and external training sponsorship.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

By Order of the Board
LI SAU YAN, PHILIP
Secretary

Hong Kong, 20th July, 2007

As at the date of this announcement, the Executive Directors of the Company are Madam So Chau Yim Ping, BBS, JP, Mrs. Cheong So Ka Wai, Patsy, Mrs. Fung So Ka Wah, Karen and Mr. So Wah Sum, Conrad; the Non-Executive Director of the Company is Mr. Ting Woo Shou, Kenneth, SBS, JP and the Independent Non-Executive Directors of the Company are Mr. Hui Yin Fat, O.B.E., JP, Mr. Wong Wang Fat, Andrew, O.B.E. (Hon), JP, and Mr. She Chiu Shun, Ernest.