

BUSINESS REVIEW

The Group recorded a consolidated turnover of approximately HK\$80 million, representing a decrease of approximately 16% over the previous period. The Japan and Mainland China markets contributed approximately 75% and 21%, respectively of the Group's total turnover in the year, playing a consistent and dominant role in the Group's overall sales performance.

During the period under review, the Group reported a drop in profitability. The Group's profit before tax for the period and the previous period were HK\$4 million and HK\$26 million respectively, with gross profit ratios standing at approximately 25% and 34%, respectively. The decline in profit before tax was explained by the combined effect of a decrement in sales of approximately HK\$15 million and a rise in the total operating expenses of HK\$11 million.

The decline in sales was due to the Group's strategy to lower the average selling price to maintain its competitiveness and to capture a greater market share. In particular, sales to Mainland China market increased by approximately 53% over last year. For the Japan market, sales to it fell due to increased market competition. The listing and expansion of the Group resulted in higher operating costs for the Group. Operating margins moved downwards in the period under review.