

# MANAGEMENT DISCUSSION AND ANALYSIS

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The Group reported a turnover of approximately HK\$471.1 million (2004: HK\$435.4 million) for the year under review. Profit from ordinary activities before taxation and profit attributable to shareholders amounted to approximately HK\$6.3 million and approximately HK\$4.0 million respectively (2004: HK\$21.8 million and HK\$17.0 million).

The Group achieved an increase of approximately 8% in turnover during the year under review due mainly to the increase in export sales. However, intense competition in the packaging printing industry continued to exert downward pressure on profit margins. The general shortage in power and labour supply in Southern China also had an adverse impact on the production and hence cost efficiencies of the Dongguan plant. Together with the rise in paper and plastic material costs, gross profit during the year under review suffered a decline of approximately 9%.

Due to the increase in freight expenses as a result of increased export activities and the initial running costs of the newly established office in New York, selling and distribution costs increased by approximately 33% during the year under review. Administrative expenses also increased by approximately 9% during the year under review reflecting the general increase in business activities of the Group. Finance costs, on the other hand, fell by approximately 24% during the year under review following the restructuring of the bank borrowings at the end of the last financial year.