



ULTRA GROUP HOLDINGS LIMITED  
歐美集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
(於開曼群島註冊成立之有限公司)



2005 年  
Annual Report 報

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*This report, for which the directors (the “Directors”) of Ultra Group Holdings Limited (the “Company” or “Ultra”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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**BOARD OF DIRECTORS****Executive Directors**

Ms. Cho Yuen Yi, Wendy, *Chairman*  
Ms. Wong Ching Ngor

**Independent Non-executive Directors**

Mr. Kong Tze Wing  
Mr. Siu Siu Ling, Robert  
Dr. Wong Yun Kuen

**QUALIFIED ACCOUNTANT**

Ms. Wong Ching Ngor, *CPA, FCCA*

**COMPANY SECRETARY**

Ms. Wong Ching Ngor, *CPA, FCCA*

**AUDIT COMMITTEE**

Mr. Kong Tze Wing  
Mr. Siu Siu Ling, Robert  
Dr. Wong Yun Kuen

**AUTHORISED REPRESENTATIVES**

Ms. Cho Yuen Yi, Wendy  
Ms. Wong Ching Ngor, *CPA, FCCA*

**AUDITORS**

RSM Nelson Wheeler

**LEGAL ADVISOR**

Chan and Cheng Solicitors & Notaries

**COMPLIANCE ADVISER**

Deloitte & Touche Corporate Finance Limited

**COMPLIANCE OFFICER**

Ms. Wong Ching Ngor, *CPA, FCCA*

**REGISTERED OFFICE**

Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681 GT  
George Town  
Grand Cayman  
British West Indies

**HEAD OFFICE AND PRINCIPAL PLACE  
OF BUSINESS**

3rd Floor Sunning Plaza  
10 Hysan Avenue  
Causeway Bay  
Hong Kong

**HONG KONG BRANCH SHARE REGISTRAR  
AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited  
46th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

**PRINCIPAL BANKERS**

Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

**WEBSITE**

[www.ultrafurniture.net](http://www.ultrafurniture.net)

**GEM STOCK CODE**

8203

## THE FISCAL YEAR OF 2004-2005 WAS A REMARKABLE YEAR FOR ULTRA

Our turnover surged 75.8% to approximately HK\$161.6 million and net profit attributable to shareholders also rose to HK\$3.1 million as compared to a net loss of HK\$8.6 million for previous financial year ended 31 March 2004. These figures reflect the sound performance during the year and marked a new height to Ultra's business. We have confidence in the outlook for the future of the office furniture manufacturing industry and we believe that Ultra will become one of the strongest office furniture manufacturers in Asia.

## BUSINESS PROSPECTS

New challenges emerge each year. We are very confident because we are following the right business direction. We have intensified our focus on building up a market-driven and an operationally excellent organisation which will enable the Group to thrive in times of change. We will continue to invest in these areas and believe that our enthusiasm and dedication to the customers will contribute to the continuous growth of the Group in the future.

In 2005, our top priority was diversifying the market base and expanding our market reach in order to take full advantage of the market potentials appeared in different geographical regions. We achieved this through the implementation of dealership program. We appointed 10 more dealers in mainland China, representing up to a total of 18 dealers in the region. It enables the comprehensive coverage of our service to almost all the major commercial and industrial provinces in mainland China. Besides, we have appointed 13 international furniture dealers in 12 countries and regions, including Australia, India, Indonesia, Malaysia, New Zealand, the Philippines, Singapore, Sri Lanka, Taiwan, Thailand, Vietnam and the USA. These international networks not only facilitate us in meeting our fundamental task of creating future revenue growth but also directed our attention to the importance of meeting diversified customer needs and continuous launching of new products which can build up long-term relationships with customers.

In response to the growing demand for high-end and high quality office furniture, the Group's manufacturing base has undergone a steady re-organization. The Production Material Control and Quality Control Departments were restructured. We believe that by concentrating our efforts in enhancing manufacturing standards, we could establish ourselves as a quality provider of office furniture in Asia. The strong financial performance in the fiscal year 2004-2005 proved that our decision is right. We have succeeded in strengthening our production base, improving product quality, uplifting corporate image, raising work efficiency, smoothening production process and the most important of all, re-assuring customer confidence upon Ultra's products.

We always aim high and we are clear that only if we can maintain long-term relationship with our key customers that we can ensure a constant income and profitable sales volume. During the year, we have developed a system to identify important customers and appointed experienced and professional sales force to closely monitor the major customers' accounts and explore new business opportunities. We strive for satisfying customers' needs and requirements, and exceeding their expectation. This is one of our dynamic strategies and we will continue to implement these strategies as we believe this is the way by which new possibilities and new targets arise.

The worldwide economy and property market revived in 2004. Consequently, most of our market regions experienced sales growth. Riding on the growth, we initiated a further increase in sales with the introduction of the widely recognised designer brand, Vitra and the innovative furniture lines, Free System, Grid System and Life Chair, which appealed to the international tastes and demands. This attempt signifies the Group as a proactive player in times of change and lays the basis to build up closer co-operation relationship with our business partners in product development and logistics processes in the future.

### **APPRECIATION**

At the heart of the Group are our people and the values we embrace. Our business is created by the Group's professionals. Whether they are part of the manufacturing team, developing new products with high quality in mind, or advising a customer on the jobsite, they always have one goal in mind – to ensure success of the customers. It's something we are all passionate about. They are driven by a passion to serve customers with top quality products and services and also project our enthusiasm directly onto the customers. This professionalism enables the Group to expand its business to all over Asia, serve more than 2,500 customers in two years, no matter they are multinational corporations, government bodies, financial institutions or business-to-business providers. We adhere to these values because they are so important to the perception of the Group from customers, suppliers, work partners and shareholders. To all our employees, on behalf of Ultra, a sincere thank you for the tremendous results you have achieved during the year. The customer relationships you have cemented have done much to consolidate the Group's long term growth prospects.

**Cho Yuen Yi, Wendy**  
*Chairman*

Hong Kong, 15 June 2005

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group has achieved an impressive growth in turnover and net profit for the year ended 31 March 2005. This accomplishment is the combined result of the Group's strategy plan, quality products and services, and the efforts of the employee.

The Group's turnover for the year ended 31 March 2005 was approximately HK\$161.6 million, which represented an increase of 75.8% as compared to the turnover of approximately HK\$91.9 million for the year ended 31 March 2004. After suffering from a period of economic recession, Hong Kong has shown signs of a moderate market recovery with a moderate increase in gross domestic product and property prices in 2005. Together with the dynamic and fast growing markets in the People's Republic of China ("PRC"), the bullish market has contributed to the business growth in most industries resulting in more offices set up and expansion which benefited the office furniture sector.

The turnover derived from Hong Kong, the PRC and overseas accounted for approximately 30.8%, 59.7% and 9.5% respectively for the year ended 31 March 2005, as compared to approximately 37.4%, 55.5% and 7.1% for last year ended 31 March 2004. This increased proportion in the PRC and overseas sales mapped the Group's long term strategy in focusing on the PRC market and expansion of dealership business.

During the current year, the Group was continuously under the market pressure of the rising production costs. The overall volatility of raw materials and transportation costs has adversely affected the gross profit margin of the Group which dropped to 35.2% for the year ended 31 March 2005 as compared to approximately 38.1% for the last year ended 31 March 2004. The lower gross profit margin was mainly attributable to the higher cost of sales and transportation costs incurred and the higher sales discounts granted to customers because of the fierce market competition. The price increase in raw materials primarily comprised particle board, metals, aluminium, steel, oil by products, chemicals and paintings, of which the purchase price increments varied between 20% to even 100% in the market. Due to the competitive market environment, the Group has been absorbing additional cost without shifting the burden to customers in the short run in order to maintain a long term relationships. As a result, this contributed to a lower gross profit margin despite a substantial increase in turnover. The Group will continuously review the cost structure and source alternative vendors to strive for the material efficiency in the production process. The Group has also continuously reviewed the selling price in responses to the market situation and balancing of demand from customers.

For the year ended 31 March 2005, the total operating expenses increased by approximately 21.5% as compared to the year ended 31 March 2004. The higher expenses were mainly attributable to the increase in staff costs including sales commission, which is in line with the significant increment in sales. Moreover, the percentage of total expenses to sales was still relatively lower for the current year as compared to previous year. The additional costs incurred for the upgrade of staff quality to form a stronger support team and restructuring of the department structure resulting in better services to customers would create long term benefits to the Group's business performance. Besides, the expenditure invested in areas such as product development, sales and marketing programs, information technology, and staff training is also essential to the Group's growth strategy. With these development costs, the Group is confident to achieve a better financial performance in the foreseeable future.

The Group recorded a net profit attributable to shareholders of approximately HK\$3.1 million for the year ended 31 March 2005. The move from a net loss of approximately HK\$8.6 million for last year ended 31 March 2004 to a net profit for the current year was an encouraging turning point for the Group's recent business development.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2005, the Group had bank and cash balances which amounted to approximately HK\$19.8 million (2004: HK\$17.2 million) and bank overdrafts and short term bank loans and obligations under finance leases which amounted to approximately HK\$10.8 million (2004: HK\$7.3 million). These borrowings are denominated in Hong Kong dollars and Renminbi, repayable within one year and interest-bearing at prevailing market rates.

The long term liabilities represented the bank loans and obligations under finance leases repayable in two to five years, interest-bearing at prevailing market rates and denominated in Hong Kong dollars amounted to HK\$0.67 million (2004: HK\$0.15 million).

As at 31 March 2005, the Group has been granted banking facilities totaling HK\$14.4 million (2004: HK\$11.5 million) of which HK\$13.2 million (2004: HK\$6.5 million) were utilized and were secured by pledge of fixed deposits, corporate guarantees and legal charge on land use rights and buildings owned by the Group.

## GEARING RATIO

The Group's gearing ratio, defined as the ratio between total liabilities over total assets, was 0.77 (2004: 0.75).

## CAPITAL STRUCTURE

The shares of the Company were listed on GEM of the Stock Exchange on 20 January 2004. There has been no change in the capital structure of the Company since the Company's listing on that date. Up to the year ended 31 March 2005, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders as at 31 March 2005 was approximately HK\$16.1 million (2004: HK\$13.0 million)

## FOREIGN EXCHANGE EXPOSURE

The income and expenditure of the Group are mainly denominated in Hong Kong dollars and Renminbi. In view of the stability of the exchange rates of Renminbi, the Directors do not consider that the Group is significantly exposed to foreign exchange risk. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

## CHARGE ON THE GROUP ASSETS

Certain of the Group's assets are pledged to banks as security for general banking facilities granted. As at 31 March 2005, the pledged assets of the Group were bank deposits amounted to HK\$5 million (2004: HK\$5 million) and the land use rights and buildings owned by the Group in the PRC.



## MANAGEMENT DISCUSSION AND ANALYSIS

### HUMAN RESOURCES

As at 31 March 2005, the Group employed approximately 835 (2004: 560) employees in the PRC and approximately 80 (2004: 65) staff in Hong Kong. The Group continues to employ, promote and reward its staff based on their performance and experience. The Group also consistently adopts a policy of human resources enrichment, and provides training programme to employees. In addition to their basic salaries, employees also enjoy other fringe benefits such as provident fund. Management will streamline the business to closely monitor the headcounts while it will also put emphasis on the staff quality.

The total staff costs, including Directors' emoluments, amounted to approximately HK\$27.9 million (2004: HK\$23.2 million) for the year under review.

### CONTINGENT LIABILITIES

As at 31 March 2005, there were contingent liabilities in respect of bills of exchange discounted to a bank with recourse amounting to HK\$1.3 million (2004: HK\$Nil).

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of actual business progress for the period from 1 October 2004 to 31 March 2005 ("Review Period") and the business objectives for the same period as set out in the prospectus of the Company dated 31 December 2003 ("Prospectus"). The actual business progress of the Group compared with the business objectives as set out in the Prospectus for the period from 1 April 2004 to 30 September 2004 has been disclosed in the interim report for the six months ended 30 September 2004.

### Business objectives as set out in the Prospectus

Strengthening of marketing and promotional activities and brand name recognition

- Advertise and promote the Group's image via advertising in professional magazines and sponsor activities in Hong Kong and the PRC
- Advertise and promote the brand name of Ultra in Thailand, Indonesia, the United Kingdom and Australia
- Continue to enrich the features and functions of the website

### Actual business progress in the Review Period

- The Group's image and Ultra brand name was promoted through the marketing activities such as private screening of movie in Hong Kong and advertising in professional magazines.
- The Group has successfully launched a promotion programme of the European brand "Vitra" through the private movie screening in October 2004.
- In November 2004, the Group has hosted another product launch in Hong Kong and PRC to promote a New Zealand brand product "Life Chair" and desking system "Free and Grid".
- The promotional activities in other overseas countries were postponed.
- The Group continued to enrich the corporate website.

## COMPARISON OF BUSINESS PROGRESS AND USE OF PROCEEDS

**Business objectives as set out in the Prospectus**

Expansion of sales and distribution network in the PRC

- Provide training to the Shanghai, Beijing and Guangzhou sales teams; and the existing dealers in the PRC
- Appoint approximately eight dealers from the selected major PRC cities. Travel to these cities to arrange marketing events and print marketing materials for them

Expansion of sales and distribution network in the overseas markets

- Appoint dealers in Saudi Arabia, United Arab Emirates and Kuwait. Travel to these cities to arrange marketing events and print marketing materials for them.

Enhancement of the Group's existing products and the launch of new products

- Official launch of the new wall systems
- Soft launch of new chairs
- Enhance the features of the new chairs
- Design and develop new panel systems
- Study the feasibility of developing new desking systems

**Actual business progress in the Review Period**

- In order to improve the quality and the professionalism of the sales teams and the project management teams, regular training was provided. The Group also conducted training courses and provided training materials for the PRC dealers.
- Progress of the PRC dealership arrangement was faster than the initial plan. A total of eighteen dealers were appointed in various major PRC cities. Frequent travel was arranged to these cities to have a close communication with the dealers and to have a better understanding of the market. The Group also continuously provided the updated marketing materials to the dealers.

- Total of twelve overseas dealers were appointed to cover the regions in Asia, the United States and South Pacific. Appointment of dealers in Middle East countries was postponed because of the uncertain economy and market situation there. Appointment of dealers in some other European countries is in progress.

- In accordance to the market needs, the wall system development was rescheduled. The Group had expanded other revenue streams to compensate for the slowdown in this segment.

- The Group was granted the exclusive distribution rights in the PRC and Hong Kong for the distribution of chairs under the prestigious European brand "Vitra" and New Zealand brand "Life Chair".

- The research was slowed down as the Group has obtained the distribution rights of the famous overseas brands of chairs as stated above.

- The Group entered into an OEM agreement to produce the New Zealand designed brand in the desking and panel system "Free and Grid" in November 2004. The Group has sent the engineers to have training in the manufacturer's New Zealand Plant to learn for the product development of these OEM products.

**USE OF PROCEEDS FROM THE GROUP'S INITIAL PUBLIC OFFERING ("IPO")**

The net proceeds from the public offer, after deduction of expenses payable by the Company, were approximately HK\$13.85 million. The net proceeds were planned to be applied to achieving the business objectives as set out in the Prospectus, of which an amount of approximately HK\$8.6 million was planned to be applied up to 31 March 2005, as follows:

	<b>As budgeted in the Prospectus up to 31 March 2005</b> <i>HK\$'000</i>	<b>Actual amount utilised up to 31 March 2005</b> <i>HK\$'000</i>
Strengthening of marketing and promotional activities and brand name recognition	3,000	2,696
Expansion of sales and distribution network in the PRC and overseas markets	3,440	1,537
Enhancement of the Group's existing products and the launch of new products	<u>2,200</u>	<u>1,752</u>
Total	<u><u>8,640</u></u>	<u><u>5,985</u></u>

*Notes:*

1. The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.
2. The remaining balance of net proceeds approximately HK\$0.85 million reserved as general working capital of the Group has been fully utilised up to 31 March 2005.

**BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT****BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT****Executive Directors**

Ms. Cho Yuen Yi, Wendy, aged 36, is one of the founders and the Chairman of the Group. Ms. Cho graduated from New York University in the United States and holds a bachelor degree of Arts in Economics and East Asian Studies. She has over 12 years of experience in office furniture industry, specialising in sales and marketing and business development in the Asia Pacific region. Ms. Cho is responsible for the overall corporate direction, strategic vision, key operation decision and guiding the Group in pursuit of its corporate business objectives. She is also responsible for the Group's business development and corporate communication strategies. Ms. Cho was accredited as one of the Innovative Entrepreneurs of the Year in 1996 by DSCI (國際傑人會港澳總會及中小型企業聯合會), one of the Young Industrialists of Hong Kong 2003 by Federation of Hong Kong Industries (香港工業總會), and Young Achiever of the Year for Women of Influence Awards 2003 by the American Chamber of Commerce in Hong Kong and International Women's Forum Hong Kong.

Ms. Wong Ching Ngor, aged 38, joined the Group in June 2003 and is the Chief Financial Officer and company secretary of the Group. Ms. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, and a Certified Public Accountant. She graduated from Hong Kong Polytechnic University with a professional diploma in Accountancy. Ms. Wong has over 15 years of experience in audit, accounting and finance with a strong background in manufacturing and trading field. She has worked as the audit manager in one of the largest international accounting firms in Hong Kong. She has also been a finance manager/ financial controller in various multinational corporations and listed companies to oversee the finance functions in Hong Kong and the PRC.

**Independent Non-executive Directors**

Mr. Kong Tze Wing, aged 53, joined the Group in December 2002 and is a fellow member of the Association of Chartered Certified Accountants since 1985 and became a fellow member of Hong Kong Institute of Certified Public Accountants in 1995. He is also a board member and chairman of China Liaison Committee of Hong Kong Association of Accounting Technicians as well as the chairman of the Institute of Financial Accountants in Hong Kong. Mr. Kong has been a Certified Public Accountant since 1981. Mr. Kong holds a first bachelor degree in Accounting and a second bachelor degree in Business Administration. He is a sole practitioner of the firm Messrs. James T.W. Kong & Co., Certified Public Accountants. Mr. Kong is an active participant in community services and is currently an elected District Council member. Mr. Kong was awarded the medal of honour in July 2002 by Hong Kong SAR Government.

Mr. Siu Siu Ling, Robert, aged 53, joined the Group in December 2002 and is a sole practitioner of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu is an executive director of Maxx Bioscience Holdings Limited and an independent non-executive director of Incutech Investments Limited, both companies are listed on the Main Board of the Stock Exchange. Mr. Siu holds a bachelor degree in laws and a postgraduate certificate in laws. He has been a solicitor since 1992 and has been admitted as solicitor of England and Wales since 1993. His practice is mainly in the field of commercial and corporate finance.

Dr. Wong Yun Kuen, aged 47, joined the Group in September 2004. Dr. Wong received a Ph.D. degree from Harvard University. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has over 10 years of experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities Institute, Master Financial Professional and fellow of American Academy of Financial Management and certified e-commerce consultant of the Institute of E-Commerce Consultant, U.S.A.. Dr. Wong is an executive director of UBA Investments Limited, and an independent non-executive director respectively of Haywood Investments Limited, Grand Field Group Holdings Limited, Poly Investments Holdings Limited, Harmony Asset Limited, Golden Resorts Group Limited and Bauhaus International (Holdings) Limited. All the companies are listed on the Main Board of the Stock Exchange.

### Senior Management

Mr. Ng Kit Hang, aged 39, is the Chief Production Officer of the Group and is responsible for overseeing the day-to-day operations of the production plant. Mr. Ng possesses over 13 years of operations experience in the office furniture industry, including project management, production, quality control and warehouse management. Mr. Ng graduated from the University of East Asia in Macau with a bachelor degree in Business Administration.

Mr. Tam Yiu Fai, aged 49, is the Chief Sales & Marketing Officer. He is responsible for overseeing all the sales functions of the Group including direct sales, overseas and PRC dealership business. Mr. Tam holds a bachelor degree in Business Administration from the Chinese University of Hong Kong, and has over 15 years experience in export sales, marketing and management.

Mr. Lui Wing Sang, aged 43, is the head of sales department of Hong Kong branch. Prior to joining the Group in August 2002, Mr. Lui has worked for a number of multi-national companies with exposure to different industries, and at senior management levels as general sales manager, general manager and directors. Mr. Lui holds a master degree in Business Administration from the University of New England and has over 10 years experience in customer service, sales and marketing.

Mr. Lau Shun Wa, aged 39, is the head of sales department of Guangzhou branch and is responsible for all sales functions within the region. Mr. Lau has 15 years of experience in office furniture industry and is rather familiar with the features & technical aspects of most of the office furniture items.

Mr. Gu Guo Guang, aged 32, is the head of sales department of Shanghai branch. Mr. Gu has over 10 years sales and marketing experience in the office furniture business and has a good understanding of the Shanghai market. Mr. Gu joined the Group since April 1998 and in-charge of our Shanghai sales team to develop our Shanghai market and eastern China markets.

Mr. Lam Ka Chuen, aged 40, is the head of sales department of Beijing branch and is responsible for managing the sales & marketing activities within the region. Mr. Lam holds a bachelor degree in Social Science from the University of East Asia in Macau. Mr. Lam has extensive sales & marketing experiences in the interior design & office furniture sector and is very much abreasting of the trendy move in the market.

## BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung Kai Chuen, aged 36, is the Senior Operation Manager of the Group. He is responsible for overseeing the implementation of policy and the management of operation team of all branches in the Group. Mr. Leung holds a bachelor degree in Business Administration from the Chinese University of Hong Kong. He has been working in the shipping and manufacturing industries since his graduation and has over 10 years experience in sales, marketing and operation.

Mr. Wong Chung Ming, David, aged 44, is the Senior Group Human Resources & Administration Manager and is responsible for all the human resources functions, administrative support works & policy making for the Group. Mr. Wong holds a bachelor degree in Commerce from the Curtin University of Technology and a Graduate Diploma in Human Resources Management. He has more than 15 years of experience in human resources management & development with multinational conglomerates.

Mr. Li Wei, aged 35, is the Plant Manager of the factory operated by Zhaoqing Ultra Furniture Company Limited. He is primarily responsible for factory management and government relations. Mr. Li holds a diploma in Business Management from Guangxi Economic College. He has over 14 years of experience in managing manufacturing plants.

The directors of the Company ("Directors") submit their report together with the audited financial statements for the year ended 31 March 2005.

### **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 13 to the financial statements.

An analysis of the Group's performance for the year by geographical segments is set out in note 27 to the financial statements.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year are set out in the consolidated income statement on page 23.

The Directors do not recommend the payment of a dividend in respect of the current year.

### **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in the statements of changes in equity on pages 28 to 29.

### **DONATIONS**

The Group has not made charitable and other donations during the year.

### **FIXED ASSETS**

Details of the movements in fixed assets of the Group are set out in note 12 to the financial statements.

### **SHARE CAPITAL**

Particulars of the share capital of the Company are set out in note 22 to the financial statements.

### **DISTRIBUTABLE RESERVES**

Distributable reserves of the Company at 31 March 2005 amounted to HK\$8,183,293 (2004: HK\$9,511,658). Under Section 34 of the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution shall be paid to shareholders out of the share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.

### **FOUR YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 54.



## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## PENSION SCHEME

According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000 the Group is required to participate in MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contributions is limited to 5% of HK\$20,000 for each eligible employee) as calculated under the MPF legislation.

Employees of the Group in the PRC participated in retirement benefit plans (社會保險基金) under which the Group is required to make monthly defined contributions to the plans at rates ranging from 13% to 22% of the employee's basic salary.

## SHARE OPTIONS

Share option scheme (the "Scheme") was adopted by the then shareholders of the Company by way of written resolution passed on 9 December 2003. Details of the Scheme are as follows:

The principal purpose of the Scheme is to enable the Company to grant share options to subscribe for shares ("Options") to the following eligible persons as incentives or rewards for their contributions to the Group:

- (1) any full time employee or director of any member of the Group;
- (2) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which a grant of the Option is offered to such part time employee; or
- (3) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

The total number of shares which may be issued upon exercise of all Options granted or to be granted under the Scheme is 54,000,000 shares representing 10% of the issued share capital of the Company as at the date of this annual report.

The total number of shares issued and to be issued upon exercise of the Options granted a participant ("Participant"), being any eligible person who accepted the offer of any Option, under the Scheme in any 12-month period must not exceed 1 per cent of the shares in issue from time to time unless prior approval obtained from independent shareholders.

The Option may be exercised in accordance with the terms of the Scheme at any time during the option period. The Scheme does not require a minimum period for which an Option must be held or a performance target which must be achieved before any Option can be exercised. The Board shall be entitled at its absolute discretion to decide the option period subject to the Scheme, which shall not exceed 10 years from the date upon the Option is deemed to be granted and accepted.

Upon acceptance of the Option, the eligible person shall pay HK\$1 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is offered to an eligible person.

The subscription price for the shares subject to Options will be a price determined by the Board and notified to each Participant and shall be at least the highest of (i) the closing price of the shares on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Option, which must be a business day; (ii) the average closing price of the shares on GEM as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Scheme will remain valid for a period of 10 years commencing on 9 December 2003.

As at 31 March 2005, no Option had been granted or agreed to be granted under the Scheme.

## DIRECTORS

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

Cho Yuen Yi, Wendy

Wong Ching Ngor

Siu Siu Ling, Robert\*

Kong Tze Wing\*

Dr. Wong Yun Kuen\* (appointed on 30 September 2004)

Cho Chun Man (resigned on 28 July 2004)

\* *Independent non-executive Directors*

In accordance with Article 87 of the Company's Articles of Association, one-third of the Directors for the time being, other than a Director holding office as chairman of the Board and/or the managing director, shall retire at each annual general meeting ("AGM") and shall then be eligible for re-election at the meeting.

In accordance with Articles 86(3) of the Articles of the Company, Dr. Wong Yun Kuen retires, and being eligible, offer himself for re-election at the forthcoming AGM.

In accordance with Articles 87 of the Articles of the Company, Siu Siu Ling, Robert will retire from office by rotation at the forthcoming AGM, and being eligible, offer himself for re-election at the forthcoming AGM.

**REPORT OF THE DIRECTORS**

The Company has received from each of Siu Siu Ling, Robert and Kong Tze Wing an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers the independent non-executive Directors to be independent. Likewise, the Company still considers Dr. Wong Yun Kuen, who was appointed during the year, has met the independent guidelines set out in Rule 5.09 of the GEM Listing Rules, to be independent.

**DIRECTORS' SERVICE CONTRACTS**

Each of the executive Directors has entered into a Director's Service Contract with the Company with no fixed term beginning on 1 January 2004. The contracts may be terminated by either party thereto giving to the other not less than three months' prior notice in writing.

The term of office for each of Siu Siu Ling, Robert, Kong Tze Wing and Dr. Wong Yun Kuen is for a term of one year and may be extended for such period as agree in writing by the Directors concerned and the Company. Currently, Siu Siu Ling, Robert and Kong Tze Wing have been appointed as independent non-executive Directors up to 31 December 2005 while Dr. Wong Yun Kuen has been appointed up to 29 September 2005.

Cho Chun Man and the Company agreed to terminate the Director's Service Agreement whereby he ceased to be the executive Director on 28 July 2004.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Details of the Directors' emoluments are set out in note 10(a) to the financial statements.

**COMPLIANCE ADVISER'S INTERESTS**

As at 31 March 2005, neither Deloitte & Touche Corporate Finance Ltd. ("DTCF") nor its directors, employees or associates, as defined in the GEM Listing Rules, had any interest in the securities of the Company or right to subscribe for or to nominate person to subscribe for securities of the Company.

Pursuant to the sponsor agreement dated 19 January 2004 which was entered into between the Company and DTCF, DTCF has been appointed as the compliance adviser to the Company as required under the GEM Listing Rules at a fee for the period commencing from 20 January 2004 to 31 March 2006 or until the agreement is terminated upon the terms and conditions set out therein.

**DIRECTORS' INTERESTS IN CONTRACTS**

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

**CONNECTED TRANSACTIONS**

No disclosable connected transactions were entered into by the Group under the GEM Listing Rules.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS****Interests and Short Positions of Directors and Chief Executives in Shares, Underlying Shares and Debentures**

As at 31 March 2005, the interests and short positions of the Directors and the chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

*Interests in the shares of the Company*

<b>Name of Director</b>	<b>Capacity</b>	<b>No. of shares</b>	<i>Notes</i>	<b>Percentage of shareholding</b>
Cho Yuen Yi, Wendy	Interest of controlled corporations	199,057,500 (Long position)	1, 2 & 3	36.86%

*Notes:*

1. These shares are held as to 22,882,500 shares by Huge Mars International Limited and 176,175,000 shares by Excel Formation Limited respectively.
2. Huge Mars International Limited is wholly owned by Cho Yuen Yi, Wendy whom is deemed interested in all the shares held by Huge Mars International Limited under the SFO.
3. Excel Formation Limited is owned as to 50% by Cho Yuen Yi, Wendy and 50% by Cho Chun Man, each of whom is deemed interested in all the shares of the Company held by Excel Formation Limited under the SFO.

Save as disclosed above, none of the Directors or the chief executives had any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules as at 31 March 2005.

## REPORT OF THE DIRECTORS

**INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES**

As at 31 March 2005, the interests and short positions of substantial shareholders (other than the Directors and chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>No. of shares</b>	<b>Notes</b>	<b>Percentage of shareholding</b>
Excel Formation Limited	Beneficial owner	176,175,000 (Long position)	1 & 4	32.63%
Gold Master Business Limited	Beneficial owner	81,000,000 (Long position)	2	15.00%
Chan Pak Hung	Interest of a controlled corporation	81,000,000 (Long position)	2	15.00%
Chan Pat Leung	Interest of a controlled corporation	81,000,000 (Long position)	2	15.00%
Cho Chun Man	Interest of a controlled corporation	176,175,000 (Long position)	3 & 4	32.63%

*Notes:*

1. Relevant shares have been included in the interests of Cho Yuen Yi, Wendy as disclosed under the heading of "Interests and Short Positions of Directors and Chief Executives in Shares, Underlying Shares and Debentures".
2. Gold Master Business Limited is owned as to 50% by Chan Pak Hung and 50% by Chan Pat Leung. Each of Chan Pak Hung and Chan Pat Leung is deemed interested in all the shares of the Company held by Gold Master Business Limited under the SFO.
3. These 176,175,000 shares are held by Excel Formation Limited.
4. Excel Formation Limited is owned as to 50% by Cho Yuen Yi, Wendy and 50% by Cho Chun Man, each of whom is deemed interested in all the shares of the Company held by Excel Formation Limited under the SFO.

Save as disclosed above, as at 31 March 2005, the Company had not been notified of any shareholders' interests or short position, being 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company, or any options in respect of such capital, other than those of the Directors and chief executives of the Company.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	12.85%
– five largest suppliers combined	41.78%
Sales	
– the largest customer	3.64%
– five largest customers combined	15.68%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

## COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules since listing of its shares on GEM of the Stock Exchange throughout the year.

## COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules throughout the year. The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

## AUDIT COMMITTEE

The Company has established an audit committee on 9 December 2003 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The written terms of reference which describe the authority and duties of the audit committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The audit committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The audit committee comprises three independent non-executive Directors, namely Siu Siu Ling, Robert, Dr. Wong Yun Kuen and Kong Tze Wing, and Kong Tze Wing is the chairman of the audit committee.

**REPORT OF THE DIRECTORS**

During the year, the audit committee held four meetings to review and supervise the financial reporting process. The annual results have been reviewed by the audit committee who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

**DIRECTORS' INTEREST IN COMPETING BUSINESS**

None of the Directors or their respective associates (as defined in GEM Listing Rules), had any interests in any business which compete or may compete with the Group or any other conflicts of interest which any such person may have with the Group.

**PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Memorandum of Association and there are no restrictions against such rights under the laws in the Cayman Islands.

**SUBSIDIARIES**

Particulars of the Company's subsidiaries are set out in note 13 to the financial statements.

**AUDITORS**

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be put at the forthcoming annual general meeting.

There is no change in auditors of the Company since its incorporation.

For and on behalf of the Board  
**Cho Yuen Yi, Wendy**  
*Chairman*

Hong Kong, 15 June 2005

# RSM! Nelson Wheeler

羅 申 美 會 計 師 行

Certified Public Accountants

TO THE SHAREHOLDERS OF  
**ULTRA GROUP HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 23 to 53 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 March 2005 and of the Group's results and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**RSM Nelson Wheeler**

*Certified Public Accountants*

Hong Kong, 15 June 2005



## CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2005

	<i>Note</i>	2005 HK\$	2004 HK\$
Turnover	3	161,634,992	91,949,559
Cost of sales		<u>(104,727,747)</u>	<u>(56,896,046)</u>
Gross profit		56,907,245	35,053,513
Other revenue	3	778,975	822,031
Selling and distribution costs		(20,722,302)	(16,629,082)
Administrative and other operating expenses		<u>(33,450,768)</u>	<u>(28,239,080)</u>
Profit/(loss) from operations	4	3,513,150	(8,992,618)
Finance costs	5	<u>(461,088)</u>	<u>(96,920)</u>
Profit/(loss) before taxation		3,052,062	(9,089,538)
Taxation credit	6	<u>55,009</u>	<u>455,379</u>
Profit/(loss) attributable to shareholders	7	<u><u>3,107,071</u></u>	<u><u>(8,634,159)</u></u>
Dividends	8	<u><u>–</u></u>	<u><u>–</u></u>
Basic earnings/(loss) per share (cents)	9	<u><u>0.58</u></u>	<u><u>(1.99)</u></u>

The notes on pages 30 to 53 form an integral part of these financial statements.

## CONSOLIDATED BALANCE SHEET

At 31 March 2005

	Note	2005 HK\$	2004 HK\$
<b>Non-current assets</b>			
Fixed assets	12	12,788,374	13,534,692
<b>Current assets</b>			
Inventories	14	9,915,294	5,493,257
Trade receivables	15	24,097,165	12,543,124
Deposits, prepayments and other receivables	16	2,818,534	3,347,720
Tax recoverable	6	635,046	–
Pledged bank deposits	24(i)	5,040,342	5,000,038
Bank and cash balances	17	14,801,535	12,154,686
		<u>57,307,916</u>	<u>38,538,825</u>
Less: <b>Current liabilities</b>			
Bills payables and trust receipt loans	24	477,947	–
Trade payables	18	23,625,995	17,146,793
Other payables and accruals	19	12,492,752	11,297,418
Dividend payables		379,103	580,393
Sales deposits received		5,544,559	2,424,839
Short term borrowings	20	10,425,891	6,929,843
Current portion of long term borrowings	21	354,124	392,677
Provision for taxation	6	–	140,379
		<u>53,300,371</u>	<u>38,912,342</u>
<b>Net current assets/(liabilities)</b>		<u>4,007,545</u>	<u>(373,517)</u>
<b>Total assets less current liabilities</b>		<u>16,795,919</u>	<u>13,161,175</u>
<b>Non-current liabilities</b>			
Long term borrowings	21	<u>674,537</u>	<u>146,864</u>
<b>NET ASSETS</b>		<u><u>16,121,382</u></u>	<u><u>13,014,311</u></u>
<b>Capital and reserves</b>			
Share capital	22(a)	5,400,000	5,400,000
Reserves		<u>10,721,382</u>	<u>7,614,311</u>
<b>SHAREHOLDERS' FUNDS</b>		<u><u>16,121,382</u></u>	<u><u>13,014,311</u></u>

Approved by the Board of Directors on 15 June 2005.

**Cho Yuen Yi, Wendy**  
Director

**Wong Ching Ngor**  
Director

The notes on pages 30 to 53 form an integral part of these financial statements.

At 31 March 2005

	<i>Note</i>	2005 <i>HK\$</i>	2004 <i>HK\$</i>
<b>Non-current assets</b>			
Investments in subsidiaries	13	6,003,410	2,061,902
<b>Current assets</b>			
Prepayments and other receivables		182,750	25,400
Pledged bank deposits	24(i)	5,040,342	5,000,038
Bank balances		3,034,967	8,259,111
		<u>8,258,059</u>	<u>13,284,549</u>
Less: <b>Current liabilities</b>			
Accruals		678,176	434,793
		<u>7,579,883</u>	<u>12,849,756</u>
<b>Net current assets</b>			
		<u>13,583,293</u>	<u>14,911,658</u>
<b>NET ASSETS</b>			
<b>Capital and reserves</b>			
Share capital	22(a)	5,400,000	5,400,000
Reserves		8,183,293	9,511,658
		<u>13,583,293</u>	<u>14,911,658</u>
<b>SHAREHOLDERS' FUNDS</b>			
		<u>13,583,293</u>	<u>14,911,658</u>

Approved by the Board of Directors on 15 June 2005.

**Cho Yuen Yi, Wendy**  
*Director*

**Wong Ching Ngor**  
*Director*

The notes on pages 30 to 53 form an integral part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2005

<i>Note</i>	2005 HK\$	2004 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation	3,052,062	(9,089,538)
Adjustments for:		
Depreciation of fixed assets	2,205,347	2,370,770
Loss/(gain) on disposal of fixed assets	279,622	(53,000)
Interest expenses	461,088	96,920
Interest income	(24,542)	(11,623)
	<hr/>	<hr/>
Operating profit/(loss) before working capital changes	5,973,577	(6,686,471)
Increase in inventories	(4,422,037)	(404,674)
(Increase)/decrease in trade receivables	(11,554,041)	12,226,633
Decrease in deposits, prepayments and other receivables	529,186	3,395,316
Increase in amounts due from directors	–	(5,177,706)
Increase/(decrease) in trade payables	6,479,202	(3,630,801)
Decrease in amounts due to related companies	–	(45,000)
Increase in sales deposits received	3,119,720	791,686
Increase/(decrease) in bills payables and trust receipt loans	477,947	(401,282)
Increase/(decrease) in other payables and accruals	1,195,334	(6,263,920)
	<hr/>	<hr/>
Cash generated from/(used in) operations	1,798,888	(6,196,219)
Interest paid	(461,088)	(96,920)
Interest received	24,542	11,623
Hong Kong profits tax paid	(715,728)	(2,476,382)
Overseas profit tax paid	(4,688)	(207,479)
	<hr/>	<hr/>
<b>Net cash generated from/(used in) operating activities</b>	641,926	(8,965,377)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend paid	(201,290)	–
Purchase of fixed assets	(1,741,651)	(2,411,299)
Proceeds from disposal of fixed assets	3,000	53,000
Increase in pledged bank deposits	(40,304)	(3,964,307)
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(1,980,245)	(6,322,606)

The notes on pages 30 to 53 form an integral part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2005

	<i>Note</i>	2005 HK\$	2004 HK\$
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital	23	–	28,350,000
Share issue expenses	23	–	(13,613,613)
Net borrowing of bank loans	23	5,092,394	1,187,049
Inception of finance leases	23	494,900	–
Payment of finance leases capital element	23	(65,950)	(37,292)
		<u>5,521,344</u>	<u>15,886,144</u>
<b>Net cash generated from financing activities</b>			
		4,183,025	598,161
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>			
Exchange fluctuation reserve movement		–	2
		<u>4,183,025</u>	<u>598,163</u>
<b>CASH AND CASH EQUIVALENTS AT 1 APRIL</b>		<u>7,186,782</u>	<u>6,588,619</u>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>		<u><u>11,369,807</u></u>	<u><u>7,186,782</u></u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Bank and cash balances		14,801,535	12,154,686
Bank overdrafts-secured	20	(3,431,728)	(4,967,904)
		<u><u>11,369,807</u></u>	<u><u>7,186,782</u></u>

The notes on pages 30 to 53 form an integral part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 March 2005

## Group

	Reserves					Total
	Share capital	Share premium <i>(note (i))</i>	Merger reserve <i>(note (ii))</i>	Exchange fluctuation reserve	(Accumulated losses)/retained profits	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2003	–	–	–	(48,076)	6,882,157	6,834,081
Effect of reorganisation	200,000	–	(122,000)	–	–	78,000
Capitalisation issue of shares	3,850,000	(3,850,000)	–	–	–	–
Proceeds from issue of shares	1,350,000	27,000,000	–	–	–	28,350,000
Share issue expenses	–	(13,613,613)	–	–	–	(13,613,613)
Surplus arising from change of exchange rate	–	–	–	2	–	2
Loss for the year	–	–	–	–	(8,634,159)	(8,634,159)
At 31 March 2004	5,400,000	9,536,387	(122,000)	(48,074)	(1,752,002)	13,014,311
Profit for the year	–	–	–	–	3,107,071	3,107,071
At 31 March 2005	<u>5,400,000</u>	<u>9,536,387</u>	<u>(122,000)</u>	<u>(48,074)</u>	<u>1,355,069</u>	<u>16,121,382</u>

The notes on pages 30 to 53 form an integral part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 March 2005

## Company

	Share capital	Reserves		Total
		Share premium <i>(note (i))</i>	Accumulated losses	
	HK\$	HK\$	HK\$	HK\$
At 1 April 2003	–	–	–	–
Effect of reorganisation	200,000	–	–	200,000
Capitalisation issue of shares	3,850,000	(3,850,000)	–	–
Proceeds from issue of shares	1,350,000	27,000,000	–	28,350,000
Share issue expenses	–	(13,613,613)	–	(13,613,613)
Loss for the year	–	–	(24,729)	(24,729)
At 31 March 2004	5,400,000	9,536,387	(24,729)	14,911,658
Loss for the year	–	–	(1,328,365)	(1,328,365)
At 31 March 2005	<u>5,400,000</u>	<u>9,536,387</u>	<u>(1,353,094)</u>	<u>13,583,293</u>

## Note:

- (i) Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.
- (ii) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the corporate reorganisation (note 1).

The notes on pages 30 to 53 form an integral part of these financial statements.

## 1. ORGANISATION AND OPERATION

The Company was incorporated in the Cayman Islands on 29 July 2002 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised), as an exempted company limited by shares. Pursuant to the corporate reorganisation ("Group Reorganisation") of the Group in preparation for the listing of the Company's shares on the Growth Enterprises Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Company acquired the entire issued share capital of Ultra Group Company Limited, the holding company of the subsidiaries and became the ultimate holding company of the Group on 9 December 2003. Further details of the Group Reorganisation are set out in the Company's prospectus dated 31 December 2003 ("Prospectus").

Shares of the Company have been listed on the GEM of the Stock Exchange on 20 January 2004. The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 13 to the financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

### (a) Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKICPA. They have been prepared under the historical cost convention.

### (b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)****(b) Consolidation** (continued)

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

**(c) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed to customers.
- (ii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (iii) Revenue from the provision of services is recognised when the services are rendered.

**(d) Fixed assets**

Land use rights and buildings and other fixed assets are stated at cost less accumulated depreciation and any impairment losses. Land use rights and buildings are depreciated over the period of the leases while other fixed assets are depreciated on the straight-line basis to write off the cost of each asset over their estimated useful life less any estimated residual value. The principal annual rates used for this purpose are as follows:

Land use rights and buildings	2% – 4.5%
Leasehold improvements	30%
Plant and machinery	9%
Office equipment	15% – 18%
Furniture and fixtures	10%
Moulds	30%
Motor vehicles	18% – 30%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (e) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets;
- investments in subsidiaries

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.

#### (i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price 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 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).

#### (ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

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 the income statement in the year in which the reversals are recognised.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2005

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)****(f) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present 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 expenditures 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 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 is remote.

**(g) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads.

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.

**(h) Foreign currency translation**

Transactions in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst income statements' items are translated at average rates. Exchange differences are dealt with as a movement in reserves. Upon the disposal of an overseas subsidiary, the related cumulative exchange difference is included in the income statement as part of the gain or loss on disposal.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets, other than legal title, are accounted for as finance leases. At inception finance lease is capitalised at the lower of the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

Lease payments are allocated between the capital and finance charges. The corresponding rental obligations, net of finance charges, are recorded as obligations under finance leases. Finance charges are charged to the income statement in proportion to the capital balances outstanding.

### (j) Operating leases

Leases where substantially all the risks and rewards of ownership of the assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease term.

### (k) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities.

### (l) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of cash flow statement, bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### (m) Trade receivables

Provision is made against trade receivables to the extent which they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)****(n) Employee benefits**

The Group's obligations for contributions to defined contribution retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as expenses in the income statement as incurred.

Pursuant to the People's Republic of China ("PRC") laws and regulations, contributions to the retirement benefit scheme for staff of the Company's subsidiaries operating in the PRC are to be made monthly to a government agency at a certain percentage of the basic salaries of the employees. The government agency is responsible for the pension liabilities relating to such staff on their retirement. The contributions are charged to the income statement as they become payable.

**(o) Taxation**

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable.

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

**(p) Borrowing costs**

All borrowing costs are charged to the income statement in the year in which they are incurred.

**(q) Event after the balance sheet date**

Post-year-end events that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**3. TURNOVER AND REVENUE**

The Group is principally engaged in manufacturing and sales of office furniture to customers. Revenues recognised during the year are as follows:

	<b>Group</b>	
	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Turnover		
Sales of goods	<u>161,634,992</u>	<u>91,949,559</u>
Other revenue		
Bad debts recovered	41,802	98,010
Interest income	24,542	11,623
Gain on disposal of fixed assets	–	53,000
Service income	619,754	423,893
Sundry income	<u>92,877</u>	<u>235,505</u>
	<u>778,975</u>	<u>822,031</u>
Total revenue	<u><u>162,413,967</u></u>	<u><u>92,771,590</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**4. PROFIT/(LOSS) FROM OPERATIONS**

Profit/(loss) from operations is stated after crediting and charging the following:

	<b>Group</b>	
	2005 HK\$	2004 HK\$
<b>Crediting</b>		
Gain on disposal of fixed assets	–	53,000
Net reversal of provision of inventories	244,883	1,056,797
Bad debts recovered	41,802	98,010
Net exchange gains	37,046	–
<b>Charging</b>		
Auditors' remuneration		
– current year	484,455	450,000
– underprovision in previous year	–	44,000
Cost of inventories sold (included net reversal of provision of inventories)	81,541,531	45,430,546
Depreciation		
– owned assets	2,143,262	2,370,770
– leased assets	62,085	–
	2,205,347	2,370,770
Loss on disposal of fixed assets	279,622	–
Operating lease rentals in respect of land and buildings	4,532,707	4,716,501
Staff costs (including directors' emoluments)		
Basic salaries, bonuses, allowances and benefits in kind	25,691,371	21,513,011
Retirement benefits scheme contributions	2,218,575	1,664,027
Provision for doubtful debts	7,249	1,198,554
Net exchange losses	–	33,478
	<u>461,088</u>	<u>96,920</u>

**5. FINANCE COSTS**

	<b>Group</b>	
	2005 HK\$	2004 HK\$
Interest on import and export bills	22,818	1,109
Interest on bank loans and overdrafts wholly repayable within five years	427,992	89,019
Finance lease charges	10,278	6,792
	<u>461,088</u>	<u>96,920</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**6. TAXATION**

- (i) Taxation in the income statement represents:

	<b>Group</b>	
	2005 HK\$	2004 HK\$
Hong Kong profits tax		
– overprovision in previous years	(2,683)	(512,253)
PRC enterprise income tax		
– current	–	56,874
– overprovision in previous years	(52,326)	–
	<u>(55,009)</u>	<u>(455,379)</u>

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the year. Certain allowable losses of the subsidiaries of the Company incorporated in Hong Kong are yet to be agreed by the Inland Revenue Department.

Pursuant to the relevant laws and regulations in the PRC, Zhaoqing Ultra Furniture Manufacturing Limited, a subsidiary of the Company operating in Zhaoqing, the PRC, is subject to enterprise income tax rate at 24% on its taxable profit in accordance with 中華人民共和國外商投資企業和外國企業所得稅法. However, it is exempted from enterprise income tax for two years starting from the first year of profitable operation in 2000 after off-setting prior year tax losses, followed by a 50% reduction for the next three years. Zhaoqing Ultra Furniture Company Limited, a wholly-owned subsidiary established in Zhaoqing, the PRC is subject to enterprise income tax rate at 24% on its taxable profit in accordance with 中華人民共和國外商投資企業和外國企業所得稅法. However, it is exempted from enterprise income tax for two years starting from the first year of profitable operation after off-setting prior year tax losses, followed by a 50% reduction for the next three years.

- (ii) Taxation in the balance sheet represents:

	<b>Group</b>	
	2005 HK\$	2004 HK\$
Tax recoverable – Hong Kong	635,046	–
Provision for Hong Kong profits tax	–	(83,365)
Provision for PRC enterprise income tax	–	(57,014)
	<u>635,046</u>	<u>(140,379)</u>

- (iii) No provision for deferred taxation has been made in the financial statements as the tax effect of temporary differences is not material to the Group.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**6. TAXATION (CONTINUED)**

- (iv) The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Group	
	2005 HK\$	2004 HK\$
Profit/(loss) before taxation	<u>3,052,062</u>	<u>(9,089,538)</u>
Tax at applicable rates of 17.5% (2004: 17.5%)	534,111	(1,590,669)
Tax effect of income that is not taxable in determining current year's taxable profits	(96)	(9,634)
Tax effect of expenses that is not deductible in determining current year's taxable profits	20,780	54,681
Tax effect of profits that is exempted from PRC tax authority	(1,598,790)	(111,639)
Tax effect of unused tax losses not recognised	1,004,531	1,627,735
Temporary difference not recognised	39,464	80,527
Increase in opening deferred tax liability resulting from an increase in tax rate	–	5,873
Overprovision in previous years	<u>(55,009)</u>	<u>(512,253)</u>
Taxation for the year	<u>(55,009)</u>	<u>(455,379)</u>

**7. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS**

The profit/(loss) attributable to shareholders includes a loss of HK\$1,328,365 (2004: HK\$24,729) which has been dealt with in the financial statements of the Company.

**8. DIVIDENDS**

No dividend have been paid or declared by the Company during the year (2004: HK\$Nil).

**9. EARNINGS/(LOSS) PER SHARE**

The calculation of basic earnings (2004: loss) per share is based on the consolidated profit attributable to shareholders for the year of HK\$3,107,071 (2004: loss of HK\$8,634,159) and on the weighted average number of 540,000,000 ordinary shares in issue (2004: 433,401,639) throughout the year ended 31 March 2005.

No diluted earnings/(loss) per share have been presented as the Company did not have any diluted potential ordinary shares during the two years ended 31 March 2005.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 10. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

## (a) Directors' emoluments

The directors of the Company who are also directors or employees of the subsidiaries comprising the Group received emoluments during the year as follows:

	Group	
	2005 HK\$	2004 HK\$
Fees	60,000	40,000
Basic salaries, bonuses, allowances and benefits in kind	2,558,106	2,222,454
Retirement benefits scheme contributions	26,000	31,267
	<u>2,644,106</u>	<u>2,293,721</u>

A director of the Company who entitled a bonus of HK\$388,000 (2004: HK\$Nil) (included in the basic salaries, bonuses, allowances and benefits in kind above) was based on the Group's performance for the year.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

No option was granted to any directors under the share option scheme during the year.

The numbers of executive directors and independent non-executive directors of the Company whose emoluments fell within the following bands are as follows:

	Group	
	2005 HK\$	2004 HK\$
Nil to HK\$1,000,000	5	5
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	1	–
	<u>6</u>	<u>6</u>

Emoluments of the executive directors are as follows:

	Group	
	2005 HK\$	2004 HK\$
CHO Yuen Yi, Wendy	1,870,202	1,291,000
CHO Chun Man	42,000	333,500
WONG Ching Ngor	671,904	529,648
LEUNG Siu Fai	–	99,573
	<u>2,584,106</u>	<u>2,253,721</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 10. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

## (a) Directors' emoluments (continued)

Emoluments of the independent non-executive directors are as follows:

	Group	
	2005 HK\$	2004 HK\$
SIU Siu Ling, Robert	20,000	20,000
KONG Tze Wing	20,000	20,000
Dr. WONG Yun Kuen	20,000	–
	<u>60,000</u>	<u>40,000</u>

## (b) Five highest paid individuals

The five highest paid individuals in the Group during the year included two directors (2004: two directors), details of whose emoluments have been disclosed above. The emoluments paid to the remaining non-director, highest paid individuals for the year are as follows:

	Group	
	2005 HK\$	2004 HK\$
Basic salaries, bonuses, allowances and benefits in kind	2,795,844	1,878,119
Retirement benefits scheme contributions	31,866	24,000
	<u>2,827,710</u>	<u>1,902,119</u>

The number of the remaining highest paid individuals whose emoluments fell within the following bands are as follows:

	Group	
	2005	2004
Nil to HK\$1,000,000	1	3
HK\$1,000,000 to HK\$1,500,000	2	–
	<u>3</u>	<u>3</u>

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**11. RETIREMENT BENEFITS**

According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000 the Group is required to participate in MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited to 5% of HK\$20,000 for each eligible employee) as calculated under the MPF legislation.

Employees of the Group in the PRC participated in retirement benefit plans (社會保險基金) under which the Group is required to make monthly defined contributions to the plans at rates ranging from 13% to 22% of the employee's basic salary.

**12. FIXED ASSETS****Group**

	Land use rights and buildings HK\$	Leasehold improvements HK\$	Plant and machinery HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Moulds HK\$	Motor vehicles HK\$	Total HK\$
<b>Cost</b>								
At 1 April 2004	7,332,879	3,404,645	4,057,670	5,287,482	3,536,972	1,307,360	424,761	25,351,769
Additions	-	107,406	934,297	432,099	3,900	3,690	260,259	1,741,651
Disposal	-	(162,802)	(9,432)	(549,188)	(239,822)	-	(77,571)	(1,038,815)
At 31 March 2005	7,332,879	3,349,249	4,982,535	5,170,393	3,301,050	1,311,050	607,449	26,054,605
<b>Accumulated depreciation</b>								
At 1 April 2004	1,467,285	1,853,337	2,864,489	2,690,208	1,240,308	1,284,629	416,821	11,817,077
Charge for the year	164,837	666,958	421,798	612,053	287,308	19,485	32,908	2,205,347
Written back on disposal	-	(162,802)	(8,591)	(417,914)	(89,420)	-	(77,466)	(756,193)
At 31 March 2005	1,632,122	2,357,493	3,277,696	2,884,347	1,438,196	1,304,114	372,263	13,266,231
<b>Net book value</b>								
At 31 March 2005	<u>5,700,757</u>	<u>991,756</u>	<u>1,704,839</u>	<u>2,286,046</u>	<u>1,862,854</u>	<u>6,936</u>	<u>235,186</u>	<u>12,788,374</u>
At 31 March 2004	<u>5,865,594</u>	<u>1,551,308</u>	<u>1,193,181</u>	<u>2,597,274</u>	<u>2,296,664</u>	<u>22,731</u>	<u>7,940</u>	<u>13,534,692</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**12. FIXED ASSETS (CONTINUED)**

At 31 March 2005 the net book value of the Group's land use rights and buildings situated in the PRC and held under medium term leases for 45 years expiring in 2042 were pledged as security for the Group's banking facilities amounted to HK\$3,791,600 (2004: HK\$Nil) (note 24).

The Group's land use rights and buildings with net book value of HK\$5,700,757 as at 31 March 2005 were revalued at 30 September 2003 on the basis of their open market values by Grant Sherman Appraisal Limited at HK\$9,810,000 as stated in the Prospectus. The additional depreciation charged against the income statement for the year as if the revaluation of the Group's land use rights and buildings was recognised at 30 September 2003 was HK\$36,021 (2004: HK\$36,021).

The net book value of office equipment and motor vehicle held by the Group under finance leases are as follows:

	HK\$
At 31 March 2005	460,420
At 31 March 2004	—

**13. INVESTMENTS IN SUBSIDIARIES**

	Company	
	2005 HK\$	2004 HK\$
Unlisted shares, at cost	200,000	200,000
Amounts due from subsidiaries (note (b))	6,792,354	1,989,836
Amounts due to subsidiaries (note (b))	(988,944)	(127,934)
	<u>6,003,410</u>	<u>2,061,902</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries at 31 March 2005 are as follows:

Company	Place of incorporation and principal place of operation	Attributable equity interest	Issued and fully paid share capital	Principal activities
<b>Directly held</b>				
Ultra Group Company Limited	British Virgin Islands/ Hong Kong	100%	US\$10,000 Ordinary	Investment holding
<b>Indirectly held</b>				
Ultra (HK) Group Holdings Limited	Hong Kong	100%	HK\$2 Ordinary	Investment holding
Ultra Trading (HK) Limited	Hong Kong	100%	HK\$2 Ordinary	Trading of office furniture in Hong Kong
Ultra Development Limited	Hong Kong	100%	HK\$2 Ordinary	Trading of office furniture and provision of management services
Ultra Asia Holdings Limited	Hong Kong	100%	HK\$2 Ordinary	Export of office furniture
Ultra Trading Company Limited	Hong Kong	100%	HK\$10,000 Ordinary	Dormant since July 2001
Kwun Yick International Limited	British Virgin Islands/ Hong Kong	100%	US\$1 Ordinary	Investment holding
Ultra Trading International Company Limited	Hong Kong	100%	HK\$2 Ordinary	Dormant since September 2002
Europe China Media Asia-Pacific Limited	Hong Kong	100%	HK\$2 Ordinary	Investment holding
Ultra Office Furniture Company Limited	Hong Kong	100%	HK\$10,000 Ordinary	Investment holding
Ultra Asia-Pacific Company Limited	Hong Kong	100%	HK\$2,000,000 Ordinary	Dormant since September 2001
Zhaoqing Ultra Furniture Manufacturing Limited	The PRC	49.6% *	US\$1,000,500 Equity	Ceased manufacturing operation since July 2002
Zhaoqing Ultra Furniture Company Limited	The PRC	100%	US\$350,000 Equity	Manufacturing and sale of office furniture

\* The Group has 100% control over Zhaoqing Ultra Furniture Manufacturing Limited even though it has only 49.6% interest in the cooperative joint venture.

(b) Amounts due from/(to) subsidiaries are unsecured, interest-free and are not repayable within the next twelve months.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**14. INVENTORIES**

	<b>Group</b>	
	2005 HK\$	2004 HK\$
Raw materials	7,144,050	4,594,356
Work in progress	1,738,816	841,580
Finished goods	2,330,748	1,600,524
Less: Provision	(1,298,320)	(1,543,203)
	<u>9,915,294</u>	<u>5,493,257</u>

At 31 March 2004 and 2005, the inventories are stated at cost less provision for slow-moving and obsolescence.

**15. TRADE RECEIVABLES**

The credit terms of trade receivables are in accordance with specific payment schedules agreed with various customers. The aging analysis of trade receivables is as follows:

	<b>Group</b>	
	2005 HK\$	2004 HK\$
0 – 30 days	11,517,540	3,561,267
31 – 60 days	2,687,379	2,541,183
61 – 90 days	3,022,544	1,146,849
Over 90 days	8,214,912	7,859,648
Less: Provision	(1,345,210)	(2,565,823)
Trade receivables, net	<u>24,097,165</u>	<u>12,543,124</u>

**16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	<b>Group</b>	
	2005 HK\$	2004 HK\$
Deposits	1,883,362	1,800,738
Prepayments	300,507	120,104
Other receivables	634,665	1,426,878
	<u>2,818,534</u>	<u>3,347,720</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**17. BANK AND CASH BALANCES – GROUP**

Included in the bank and cash balances of the Group, HK\$6,186,304 (2004: HK\$1,714,826) was denominated in Renminbi ("RMB"), which was not freely convertible to other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

**18. TRADE PAYABLES**

The credit terms of trade payables varies according to the terms agreed with different suppliers. The aging analysis of trade payables is as follows:

	Group	
	2005 HK\$	2004 HK\$
0 – 30 days	10,471,995	5,709,150
31 – 60 days	4,536,276	5,579,611
61 – 90 days	3,635,259	1,052,426
Over 90 days	4,982,465	4,805,606
	<u>23,625,995</u>	<u>17,146,793</u>

**19. OTHER PAYABLES AND ACCRUALS**

	Group	
	2005 HK\$	2004 HK\$
Other payables	5,388,634	5,085,825
Accruals	7,104,118	6,211,593
	<u>12,492,752</u>	<u>11,297,418</u>

**20. SHORT TERM BORROWINGS**

	Group	
	2005 HK\$	2004 HK\$
Bank loans – unsecured	–	971,954
Bank loans – secured (note 24)	6,994,163	989,985
Bank overdrafts – secured (note 24)	3,431,728	4,967,904
	<u>10,425,891</u>	<u>6,929,843</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 21. LONG TERM BORROWINGS

	Group	
	2005 HK\$	2004 HK\$
Interest bearing borrowings		
Bank loans		
– secured ( <i>note 24</i> )	599,711	539,541
Obligations under finance leases	428,950	–
	<u>1,028,661</u>	<u>539,541</u>
Current portion of long term borrowings	(354,124)	(392,677)
	<u>674,537</u>	<u>146,864</u>
(a) The bank loans are repayable as follows:		
Within one year	225,466	392,677
In the second year	99,804	146,864
In the third to fifth years inclusive	274,441	–
	<u>599,711</u>	<u>539,541</u>

(b) Obligations under finance leases are repayable as follows:

	2005			2004		
	Present value of the minimum lease payments HK\$	Interest expenses relating to future periods HK\$	Total minimum lease payments HK\$	Present value of the minimum lease payments HK\$	Interest expenses relating to future periods HK\$	Total minimum lease payments HK\$
Within one year	128,658	14,178	142,836	–	–	–
In the second year	133,386	9,450	142,836	–	–	–
In the third to fifth years inclusive	166,906	13,845	180,751	–	–	–
	<u>428,950</u>	<u>37,473</u>	<u>466,423</u>	<u>–</u>	<u>–</u>	<u>–</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**22. SHARE CAPITAL****(a) Shares**

	<b>Ordinary shares of HK\$0.01 each</b>	
	<b>Number of shares</b>	<b>Par value HK\$</b>
Authorised:		
At 1 April 2003	30,000,000	300,000
Increase in authorised ordinary share capital	<u>9,970,000,000</u>	<u>99,700,000</u>
At 31 March 2004	<u>10,000,000,000</u>	<u>100,000,000</u>
At 31 March 2005	<u>10,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
At 1 April 2003	2,000,000	–
For the acquisition of the entire issued share capital of Ultra Group Company Limited, credited as fully paid	18,000,000	180,000
Shares credited as fully paid	–	20,000
Capitalisation issue	385,000,000	3,850,000
New issue on public listing	<u>135,000,000</u>	<u>1,350,000</u>
At 31 March 2004	<u>540,000,000</u>	<u>5,400,000</u>
At 31 March 2005	<u>540,000,000</u>	<u>5,400,000</u>

**(b) Share option scheme**

A share option scheme was adopted by the then shareholders of the Company by way of written resolution passed on 9 December 2003. Details of the scheme are set out in the Report of the Directors.

As at 31 March 2005, no option has been granted or agreed to be granted under the share option scheme.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

Analysis of changes in financing during the year is as follows:

	<b>Obligations under finance leases</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Bank loans</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 April 2003	37,292	–	–	1,314,431
Repayment of finance lease obligations	(37,292)	–	–	–
Proceeds from issue of shares	–	1,350,000	27,000,000	–
Share issue expenses	–	–	(13,613,613)	–
Capitalisation issue	–	3,850,000	(3,850,000)	–
Issue of share to acquire Ultra Group Company Limited	–	200,000	–	–
New bank loans obtained	–	–	–	1,974,608
Repayment of bank loans	–	–	–	(787,559)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 March 2004	–	5,400,000	9,536,387	2,501,480
Inception of finance leases	494,900	–	–	–
Repayment of finance lease obligations	(65,950)	–	–	–
New bank loans obtained	–	–	–	13,579,495
Repayment of bank loans	–	–	–	(8,487,101)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 March 2005	<u>428,950</u>	<u>5,400,000</u>	<u>9,536,387</u>	<u>7,593,874</u>

**24. BANKING FACILITIES**

As at 31 March 2005, the Group has been granted banking facilities totaling HK\$14.4 million (2004: HK\$11.5 million) of which HK\$13.2 million (2004: HK\$6.5 million) were utilised and were secured by the following:

- (i) Pledge of fixed deposits of HK\$5 million plus subsequent accrued interest;
- (ii) Corporate guarantees executed by the Company and three subsidiaries of the Company;
- (iii) Legal charge on land use rights and buildings owned by a subsidiary of the Company.

**25. CONTINGENT LIABILITIES**

As at 31 March 2005 there were contingent liabilities in respect of bills of exchange discounted to a bank with recourse amounting to HK\$1,319,580 (2004: HK\$ Nil).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**26. LEASE COMMITMENTS**

The Group had the following outstanding lease commitments under non-cancellable operating leases in respect of land and buildings payable as follows:

	<b>Group</b>	
	2005 HK\$	2004 HK\$
Within one year	3,900,820	3,921,085
In the second to fifth years inclusive	1,719,803	2,607,399
	<u>5,620,623</u>	<u>6,528,484</u>

**27. SEGMENTAL INFORMATION**

Segment information is required by SSAP 26 "Segment reporting" to be presented by way of two segment formats: (i) on a primary segment reporting basis; and (ii) on a secondary segment reporting basis.

Sale of office furniture is the only major business segment of the Group. Accordingly no further business segment information is provided.

In determining the Group's geographical segments, the Group's revenue and results for the year and segment assets and liabilities are attributable to the segments based on the location of customers.

**Geographical segments**

Segmental information about the geographical markets for the year is presented as follows:

For the year ended 31 March 2005

	<b>Hong Kong</b> HK\$	<b>The PRC</b> HK\$	<b>Asia except Hong Kong and the PRC</b> HK\$	<b>Total</b> HK\$
<b>Revenue</b>				
Sales to external customers	<u>49,745,414</u>	<u>96,485,661</u>	<u>15,403,917</u>	<u>161,634,992</u>
<b>Results</b>				
Segment results	<u>864,716</u>	<u>15,155,785</u>	<u>4,750,498</u>	20,770,999
Unallocated corporate expenses				(18,036,824)
Other revenue (excluding interest income)				<u>754,433</u>
Operating profit				3,488,608
Finance costs				(461,088)
Interest income				<u>24,542</u>
Profit before taxation				3,052,062
Taxation				<u>55,009</u>
Profit attributable to shareholders				<u>3,107,071</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 27. SEGMENTAL INFORMATION (CONTINUED)

## Geographical segments (continued)

	Hong Kong HK\$	The PRC HK\$	Asia except Hong Kong and the PRC HK\$	Unallocated HK\$	Total HK\$
<b>Assets</b>					
Segment assets	12,333,206	16,958,589	1,046,002	39,758,493	70,096,290
Total assets	<u>12,333,206</u>	<u>16,958,589</u>	<u>1,046,002</u>	<u>39,758,493</u>	<u>70,096,290</u>
<b>Liabilities</b>					
Segment liabilities	7,949,579	5,086,218	729,764	40,209,347	53,974,908
Total liabilities	<u>7,949,579</u>	<u>5,086,218</u>	<u>729,764</u>	<u>40,209,347</u>	<u>53,974,908</u>
<b>Other Information</b>					
Capital expenditure	441,426	248,072	–	1,052,153	1,741,651
Depreciation	<u>545,450</u>	<u>847,871</u>	<u>–</u>	<u>812,026</u>	<u>2,205,347</u>
Provision for doubtful debts	<u>–</u>	<u>7,249</u>	<u>–</u>	<u>–</u>	<u>7,249</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**27. SEGMENTAL INFORMATION (CONTINUED)****Geographical segments** (continued)

For the year ended 31 March 2004

	Hong Kong HK\$	The PRC HK\$	Asia except Hong Kong and the PRC HK\$	Total HK\$
<b>Revenue</b>				
Sales to external customers	<u>34,376,157</u>	<u>51,008,985</u>	<u>6,564,417</u>	<u>91,949,559</u>
<b>Results</b>				
Segment results	<u>(2,097,118)</u>	<u>4,186,323</u>	<u>2,329,480</u>	4,418,685
Unallocated corporate expenses				(14,233,334)
Other revenue (excluding interest income)				<u>810,408</u>
Operating loss				(9,004,241)
Finance costs				(96,920)
Interest income				<u>11,623</u>
Loss before taxation				(9,089,538)
Taxation				<u>455,379</u>
Loss attributable to shareholders				<u>(8,634,159)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 27. SEGMENTAL INFORMATION (CONTINUED)

## Geographical segments (continued)

	Hong Kong HK\$	The PRC HK\$	Asia except Hong Kong and the PRC HK\$	Unallocated HK\$	Total HK\$
<b>Assets</b>					
Segment assets	6,680,392	9,044,580	614,410	35,734,135	52,073,517
Total assets	<u>6,680,392</u>	<u>9,044,580</u>	<u>614,410</u>	<u>35,734,135</u>	<u>52,073,517</u>
<b>Liabilities</b>					
Segment liabilities	6,092,173	2,604,008	107,019	30,256,006	39,059,206
Total liabilities	<u>6,092,173</u>	<u>2,604,008</u>	<u>107,019</u>	<u>30,256,006</u>	<u>39,059,206</u>
<b>Other Information</b>					
Capital expenditure	<u>175,021</u>	<u>464,089</u>	<u>–</u>	<u>1,772,189</u>	<u>2,411,299</u>
Depreciation	<u>788,229</u>	<u>923,029</u>	<u>–</u>	<u>659,512</u>	<u>2,370,770</u>
Provision for doubtful debts	<u>244,778</u>	<u>953,776</u>	<u>–</u>	<u>–</u>	<u>1,198,554</u>

## 28. COMPARATIVE FIGURES

The presentation of comparative figures of short term borrowings and service income has been regrouped to conform with current year's presentation.

A Summary of the results and of the assets and liabilities of the Group for the last four financial years is set out below:

## RESULTS

	Year ended 31 March			
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	<u>161,635</u>	<u>91,950</u>	<u>118,715</u>	<u>118,353</u>
Profit/(loss) before taxation	3,052	(9,089)	19,795	14,912
Taxation	<u>55</u>	<u>455</u>	<u>(905)</u>	<u>(378)</u>
Profit/(loss) attributable to shareholders	<u>3,107</u>	<u>(8,634)</u>	<u>18,890</u>	<u>14,534</u>

## ASSETS AND LIABILITIES

	As at 31 March			
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Total assets	70,096	52,073	58,801	52,107
Total liabilities	<u>(53,975)</u>	<u>(39,059)</u>	<u>(51,869)</u>	<u>(53,246)</u>
Shareholders' funds/(deficit)	<u>16,121</u>	<u>13,014</u>	<u>6,932</u>	<u>(1,139)</u>

### Notes:

- The results of the Group for the year ended 31 March 2002 and 31 March 2003 has been prepared on a combined basis to indicate the results of the Group as if the Group structure, at the time when the Company's share were listed on the Stock Exchange, had been in existence throughout the years concerned. The figures for the year ended 31 March 2002 and 31 March 2003 have been extracted from the Company's Prospectus dated 31 December 2003.
- The Company was incorporated in the Cayman Islands on 29 July 2002 and became the holding company of the Group with effect from 20 January 2004 as a result of the group reorganisation, details of which are set out in the Company's Prospectus dated 31 December 2003. Accordingly, the balance sheets of the Group that have been prepared are those set out above.