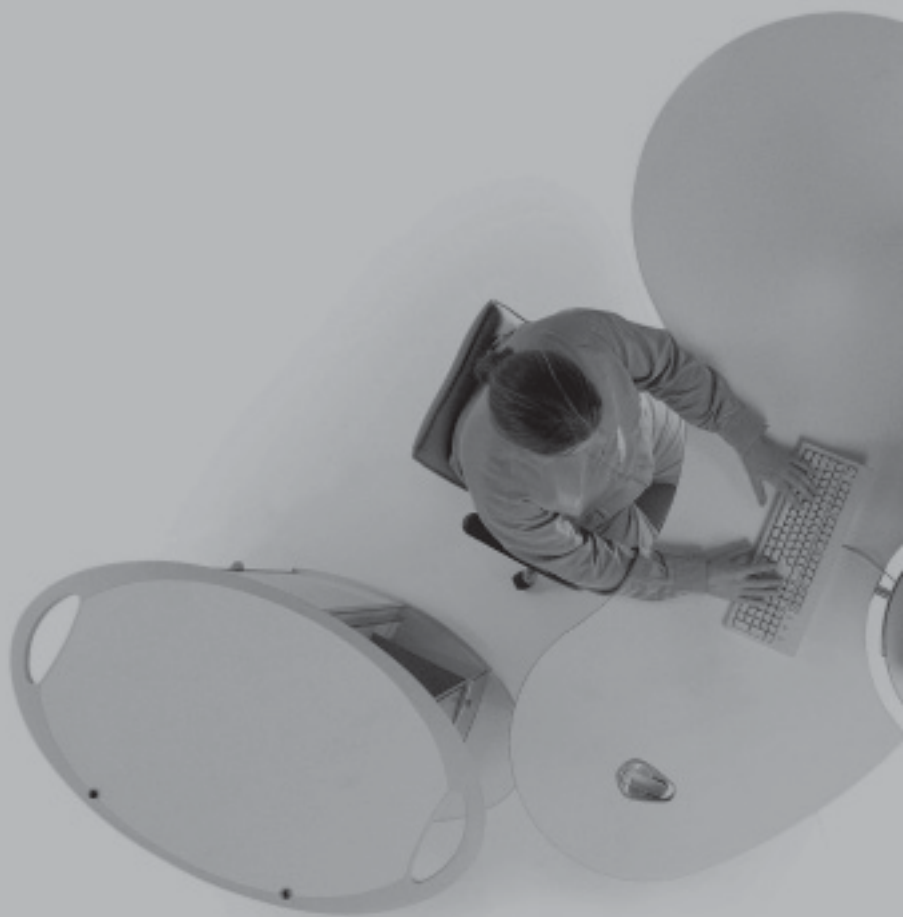




ULTRA GROUP HOLDINGS LIMITED  
歐美集團控股有限公司

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



2005

First Quarterly Report  
第一季度報告

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

*The Stock Exchange takes no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “Directors”) of Ultra Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on GEM 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.*

## HIGHLIGHTS

- Turnover of the Group for the three months ended 30 June 2005 amounted to approximately HK\$56.8 million (2004: HK\$35.8 million), representing an increase of approximately 58.5% as compared to the same period last year.
- Net profit attributable to shareholders for the three months ended 30 June 2005 amounted to approximately HK\$3.8 million (2004: HK\$1.8 million), representing an increase of approximately 108.4% as compared to the same period last year.
- Earnings per share of the Group was approximately HK0.7 cents (2004: HK0.3 cents) for the three months ended 30 June 2005.

**UNAUDITED CONSOLIDATED INCOME STATEMENT**

For the three months ended 30 June 2005

The board of director (the "Board" or the "Directors") of Ultra Group Holdings Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group" or "Ultra") for the three months ended 30 June 2005, together with the unaudited comparative figures for the corresponding period in 2004 as follows:

		<b>Unaudited Three months ended 30 June</b>	
		<b>2005</b>	2004
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	<b>56,753</b>	35,815
Cost of sales		<b>(37,837)</b>	(21,957)
Gross profit		<b>18,916</b>	13,858
Other revenue		<b>306</b>	110
Selling and distribution costs		<b>(5,944)</b>	(4,436)
Administrative and other operating expenses		<b>(9,262)</b>	(7,623)
Profit from operations		<b>4,016</b>	1,909
Finance costs		<b>(173)</b>	(65)
Profit before taxation		<b>3,843</b>	1,844
Taxation	4	-	-
Profit attributable to shareholders		<b>3,843</b>	1,844
Dividends	5	-	-
Basic earnings per share (cents)	6	<b>0.71</b>	0.34

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Organisation

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.

### 2. Principal accounting policies and basis of preparation

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.

For the financial year commencing 1 April 2005, the Group has adopted all new HKFRSs. The adoption of new HKFRSs does not result in substantial changes to the Group’s accounting policies, financial statement disclosures or presentation as compared to that used in the preparation of the annual financial statements as of and for the year ended 31 March 2005.

The unaudited consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2005. The results of subsidiaries acquired or disposed of during the period 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.

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, as modified by the revaluation of leasehold buildings at fair value and in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

### 3. Turnover

The Group is principally engaged in manufacturing and sales of office furniture to customers. Turnover represents invoiced value of goods sold, net of value-added tax, and after allowance for goods returned and trade discounts.

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") and other overseas countries. No activity analysis is provided as substantially all the Group's turnover and contribution to profit from operations were derived from the sale of office furniture.

The following table sets out the turnover breakdown of the Group by geographical region for the three months ended 30 June 2005:

	<b>Unaudited Three months ended 30 June</b>			
	2005		2004	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hong Kong	14,659	26	10,731	30
The PRC	35,248	62	22,867	64
Overseas	6,846	12	2,217	6
Total	<u>56,753</u>	<u>100</u>	<u>35,815</u>	<u>100</u>

### 4. Taxation

No provision for profits tax in the Cayman Islands or the British Virgin Islands has been made as the Group had no assessable profit for the period.

No provision for Hong Kong profit tax is required since the Group has no taxable profit for the periods after the estimated assessable profit less allowable losses brought forward by the individual companies within the Group arising in Hong Kong for the period respectively.

Pursuant to the relevant laws and regulations in the PRC, Zhaoqing Ultra Furniture Manufacturing Limited, a subsidiary of the Company operating in Zhaoqing, PRC is subject to enterprise income tax rate at 24% on its taxable profit in accordance with 中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, PRC is subject to enterprise income tax at a rate of 24% in accordance with 中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.

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

## 5. Dividends

The Directors do not recommend the payment of dividend for the three months ended 30 June 2005 (2004: HK\$Nil).

## 6. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders during the period of HK\$3.8 million (2004: HK\$1.8 million) and 540,000,000 (2004: 540,000,000) ordinary shares of the Company in issue during the period.

No diluted earnings per share have been presented as the Company did not have any diluted potential ordinary shares during the period.

## 7. Reserve and capital

	Reserves					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange fluctuation reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	
At 1 April 2004	5,400	9,536	(122)	(48)	(1,752)	13,014
Profit for the period	–	–	–	–	1,844	1,844
At 30 June 2004	<u>5,400</u>	<u>9,536</u>	<u>(122)</u>	<u>(48)</u>	<u>92</u>	<u>14,858</u>
At 1 April 2005	5,400	9,536	(122)	(48)	1,355	16,121
Profit for the period	–	–	–	–	3,843	3,843
At 30 June 2005	<u>5,400</u>	<u>9,536</u>	<u>(122)</u>	<u>(48)</u>	<u>5,198</u>	<u>19,964</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

With the market recovery in Hong Kong and the optimistic Gross Domestic Product (“GDP”) growth in the People’s Republic of China (“PRC”), market demand for new offices from both Chinese and foreign companies in the Greater China is likely to continue in the coming years. Normally, companies which take up new office space also upgrade their office furnishings. This phenomenon has created a significant expansion of the middle and upper-end office furniture markets. Although there are many local manufacturers of modular furniture in the PRC, their quality and design features are clearly inferior to the imported and foreign enterprise manufactured products. Since January 2005, the import tariff of furniture in the PRC has reduced to zero. All these factors are favorable to the business growth of the Group for the year ending 31 March 2006.

The turnover of the Group for the three months ended 30 June 2005 was approximately HK\$56.8 million, representing an increase of approximately 58.5% as compared to the turnover of approximately HK\$35.8 million for the same period ended 30 June 2004.

Gross profit of the Group for the three months ended 30 June 2005 was approximately HK\$18.9 million. Gross profit margin decreased by 5.4% to 33.3% from the same period last year was mainly due to the significant increase of material and transportation costs and a small change in the sales combination of product mix. The sales of imported goods generated a relatively lower gross profit margin.

The total expenses for the three months ended 30 June 2005 were approximately HK\$15.4 million. Notwithstanding the increase in total expenses as compared to approximately HK\$12.1 million for the corresponding period last year, the percentage of total expenses to sales was lower in this period ended 30 June 2005 at 27.1% (the corresponding period of 2004: 33.9%). The increase in expenses was in line with the tremendous increase in turnover.

It is encouraging that the Group recorded a net profit attributable to shareholders of approximately HK\$3.8 million for the three months ended 30 June 2005. The Group’s net profit increased by approximately 108.4% as compared to the net profit of the approximately HK\$1.8 million for the three months ended 30 June 2004.



As at 30 June 2005, the Group had bank and cash balances of approximately HK\$16.4 million (as at 31 March 2005: HK\$19.8 million) and short term bank loans and overdrafts of approximately HK\$5.6 million (as at 31 March 2005: HK\$10.8 million).

## **Business Review and Outlook**

With the continuous growth in market demand, the Group's turnover for the three months ended 30 June 2005 was in pace with the steady growth achieved over the financial year 2004. The growth in all market regions is a positive development and illustrates a broad geographical support underpinning the results.

Amid an overall improvement in the market environment, our business performance was driven by several factors. The first was the strengthening of organisation structure after its re-engineering in the last financial year. As a result, management efficiency and manufacturing flows were improved during the period under review.

The second was an emphasis in product variety and product design. Besides improving the existing products, we brought in branded products in order to attract new customers and offer existing customers a wider range of products and services. Further enhancing customer satisfaction was another strategy of the Group, subsequent efforts were put in intensifying the Customer Services Department.

The third factor was the concerted enhancement of dealer performance which naturally led to a leap in sales capacity. The dealers were more experienced in marketing the Group's products which helped in broadening our market coverage to a large extent.

Looking towards second half of year 2005, we expects that sales will continue to grow. A decisive factor for the Group's growth is its corporate culture, which is based on the interplay of our values and the correlation between the growth of the Group and the individual growth of the employee. ULTRA's management behavior drives employee satisfaction and working morale which, in turn, drives customer satisfaction. This initiates a cycle of profitable growth.

## OTHER INFORMATIONS

**1. Interests and Short Positions of Directors and Chief Executives in Shares, Underlying Shares and Debentures**

As at 30 June 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 Rule 5.04 of the GEM Listing Rules were as follows:

*Interests in the shares of the Company*

Name of Director	Capacity	No. of shares	Notes	Percentage of shareholding
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 5.04 of the GEM Listing Rules as at 30 June 2005.

## 2. Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares

As at 30 June 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:

Name of Shareholder	Capacity	No. of shares	Notes	Percentage of shareholding
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 30 June 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.

### **3. 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. The principal purpose of the Scheme is to enable the Company to grant share options to eligible persons as incentives or rewards for their contributions to the Group.

As at 30 June 2005, no option had been granted or agreed to be granted under the Scheme.

### **4. 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.

### **5. Compliance Adviser's Interests**

As at 30 June 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.

### **6. 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.

The unaudited quarterly results for the three months ended 30 June 2005 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.

#### **7. Purchase, Sale or Redemption of Shares**

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

#### **8. Board Practices and Procedures**

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 period.

#### **9. Securities Transactions by Directors**

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 period. 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.

By order of the Board  
**Cho Yuen Yi, Wendy**  
*Chairman*

Hong Kong, 8 August 2005