



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
Interim Report
中期業績報告

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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 six months ended 30 September 2005 amounted to approximately HK\$119.5 million (2004: HK\$75.8 million), representing an increase of approximately 57.5% as compared to the same period last year.
- Net profit attributable to shareholders for the six months ended 30 September 2005 amounted to approximately HK\$8.4 million (2004: HK\$2.0 million), representing an increase of approximately 321.7% as compared to the same period last year.
- Earnings per share of the Group was approximately HK1.6 cents (2004: HK0.4 cents) for the six months ended 30 September 2005.

INTERIM RESULTS

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") for the three and six months ended 30 September 2005, together with the unaudited comparative figures for the corresponding periods in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	3	62,730	40,033	119,483	75,848
Cost of sales		(41,815)	(26,569)	(79,652)	(48,526)
Gross profit		20,915	13,464	39,831	27,322
Other revenue		295	243	601	353
Selling and distribution costs		(6,972)	(5,380)	(12,916)	(9,817)
Administrative and other operating expenses		(9,581)	(8,073)	(18,843)	(15,695)
Profit from operations	4	4,657	254	8,673	2,163
Finance costs		(107)	(112)	(280)	(178)
Profit before taxation		4,550	142	8,393	1,985
Taxation	5	(23)	–	(23)	–
Profit attributable to shareholders		4,527	142	8,370	1,985
Dividends	6	–	–	–	–
Basic earnings per share (cents)	7	0.84	0.03	1.55	0.37

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	Unaudited as at 30 September 2005 HK\$'000	Audited as at 31 March 2005 HK\$'000
Non-current assets			
Fixed assets		13,017	12,788
Current assets			
Inventories		9,032	9,915
Trade receivables	8	38,553	24,097
Deposits, prepayments and other receivables		2,621	2,819
Tax recoverable		612	635
Pledged bank deposits		5,000	5,040
Bank and cash balances		12,899	14,802
		68,717	57,308
Less: Current liabilities			
Bills payables and trust receipt loans		6,471	478
Trade payables	9	22,623	23,626
Other payables and accruals		18,185	12,493
Dividend payables		98	379
Sales deposits received		4,243	5,544
Short term borrowings		4,568	10,426
Current portion of long term borrowings		286	354
		56,474	53,300
Net current assets		12,243	4,008
Total assets less current liabilities		25,260	16,796
Non-current liabilities			
Long term borrowings		769	675
NET ASSETS		24,491	16,121
Capital and reserves			
Share capital	10	5,400	5,400
Reserves		19,091	10,721
SHAREHOLDERS' FUNDS		24,491	16,121

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30 September	
	2005	2004
	HK\$'000	HK\$'000
Net cash generated from operating activities	5,271	116
Net cash used in investing activities	(1,342)	(704)
Net cash (used in)/generated from financing activities	(2,408)	2,474
Net increase in cash and cash equivalents	1,521	1,886
Cash and cash equivalents at 1 April	11,370	7,187
Cash and cash equivalents at 30 September	<u>12,891</u>	<u>9,073</u>
Analysis of cash and cash equivalents		
Bank and cash balances	12,899	14,074
Bank overdrafts	(8)	(5,001)
	<u>12,891</u>	<u>9,073</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange fluctuation reserve HK\$'000	(Accumulated losses)/ retained profit HK\$'000	
At 1 April 2004	5,400	9,536	(122)	(48)	(1,752)	13,014
Profit for the period	—	—	—	—	1,985	1,985
At 30 September 2004	<u>5,400</u>	<u>9,536</u>	<u>(122)</u>	<u>(48)</u>	<u>233</u>	<u>14,999</u>
At 1 April 2005	5,400	9,536	(122)	(48)	1,355	16,121
Profit for the period	—	—	—	—	8,370	8,370
At 30 September 2005	<u>5,400</u>	<u>9,536</u>	<u>(122)</u>	<u>(48)</u>	<u>9,725</u>	<u>24,491</u>

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 September 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 six months ended 30 September 2005:

	Unaudited Three months ended 30 September				Unaudited Six months ended 30 September			
	2005		2004		2005		2004	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	22,923	37	12,310	31	37,582	31	23,041	30
The PRC	27,569	44	23,515	59	62,817	53	46,382	61
Overseas	12,238	19	4,208	10	19,084	16	6,425	9
Total	62,730	100	40,033	100	119,483	100	75,848	100

4. Profit from operations

Profit from operations is stated after crediting and charging the following:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Crediting				
Net exchange gain	–	19	–	22
Bad debts recovered	–	42	–	42
Charging				
Auditors' remuneration				
– current year	86	192	327	362
– underprovision in previous year	20	–	20	–
Depreciation				
– owned assets	508	507	1,074	1,063
– leased assets	79	7	79	13
	587	514	1,153	1,076
Operating lease rentals in respect of land and buildings	1,276	1,225	2,398	2,321
Staff costs (including directors' emoluments)				
Basic salaries, bonuses, allowances and benefits in kind	7,728	6,221	15,038	12,122
Retirement benefits scheme contributions	662	573	1,314	1,100
Net exchange losses	43	–	24	–
	<u>43</u>	<u>–</u>	<u>24</u>	<u>–</u>

5. Taxation

Taxation in the unaudited consolidated income statement represents:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax				
– underprovision in previous years	<u>23</u>	<u>–</u>	<u>23</u>	<u>–</u>

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 periods.

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 periods 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.

6. Interim dividends

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

7. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders during the period of HK\$8.4 million (2004: HK\$2.0 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.

8. 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:

	Unaudited as at 30 September 2005 HK\$'000	Audited as at 31 March 2005 HK\$'000
0 – 30 days	10,450	11,518
31 – 60 days	9,034	2,687
61 – 90 days	7,051	3,022
Over 90 days	13,363	8,215
Less: Provision	(1,345)	(1,345)
Trade receivables, net	<u>38,553</u>	<u>24,097</u>

9. 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:

	Unaudited as at 30 September 2005 HK\$'000	Audited as at 31 March 2005 HK\$'000
0 – 30 days	11,442	10,472
31 – 60 days	6,737	4,536
61 – 90 days	2,346	3,635
Over 90 days	2,098	4,983
	<u>22,623</u>	<u>23,626</u>

10. Share capital

	Unaudited as at 30 September 2005		Audited as at 31 March 2005	
	Number of shares	Par value HK\$'000	Number of shares	Par value HK\$'000
Authorized:				
Ordinary shares of HK\$0.01 each	<u>10,000,000,000</u>	<u>100,000</u>	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>540,000,000</u>	<u>5,400</u>	<u>540,000,000</u>	<u>5,400</u>

11. Commitments

As at 30 September 2005, the Group had no material commitments contracted but not provided for in respect of purchase of fixed assets (as at 31 March 2005: HK\$Nil).

12. Segmental information

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 period and segment assets and liabilities are attributable to the segments based on the location of customers.

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

For the six months ended 30 September 2005

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Overseas <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
Sales to external customers	<u>37,582</u>	<u>62,817</u>	<u>19,084</u>	<u>119,483</u>
Result				
Segment results	<u>3,445</u>	<u>9,862</u>	<u>5,961</u>	19,268
Unallocated corporate expenses				(11,196)
Other revenue (excluding interest income)				<u>576</u>
Operating profit				8,648
Finance costs				(280)
Interest income				<u>25</u>
Profit before taxation				8,393
Taxation				<u>(23)</u>
Profit attributable to shareholders				<u>8,370</u>

As at 30 September 2005

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Overseas <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets					
Segment assets	15,458	21,712	5,993	38,571	81,734
Total assets	<u>15,458</u>	<u>21,712</u>	<u>5,993</u>	<u>38,571</u>	<u>81,734</u>
Liabilities					
Segment liabilities	7,402	5,552	2,155	42,134	57,243
Total liabilities	<u>7,402</u>	<u>5,552</u>	<u>2,155</u>	<u>42,134</u>	<u>57,243</u>
Other information					
Capital expenditure	–	–	–	1,382	1,382
Depreciation	<u>274</u>	<u>412</u>	<u>–</u>	<u>467</u>	<u>1,153</u>

For the six months ended 30 September 2004

	Hong Kong HK\$'000	The PRC HK\$'000	Overseas HK\$'000	Total HK\$'000	
Revenue					
Sales to external customers	<u>23,041</u>	<u>46,382</u>	<u>6,425</u>	<u>75,848</u>	
Result					
Segment results	<u>201</u>	<u>8,292</u>	<u>2,067</u>	10,560	
Unallocated corporate expenses				(8,750)	
Other revenue (excluding interest income)				<u>350</u>	
Operating profit				2,160	
Finance costs				(178)	
Interest income				<u>3</u>	
Profit before taxation				1,985	
Taxation				<u>-</u>	
Profit attributable to shareholders				<u>1,985</u>	
As at 31 March 2005					
	Hong Kong HK\$'000	The PRC HK\$'000	Overseas HK\$'000	Unallocated HK\$'000	Total HK\$'000
Assets					
Segment assets	<u>12,333</u>	<u>16,959</u>	<u>1,046</u>	<u>39,758</u>	<u>70,096</u>
Total Assets	<u>12,333</u>	<u>16,959</u>	<u>1,046</u>	<u>39,758</u>	<u>70,096</u>
Liabilities					
Segment liabilities	<u>7,950</u>	<u>5,086</u>	<u>730</u>	<u>40,209</u>	<u>53,975</u>
Total liabilities	<u>7,950</u>	<u>5,086</u>	<u>730</u>	<u>40,209</u>	<u>53,975</u>
Other Information					
Capital expenditure	<u>442</u>	<u>248</u>	<u>-</u>	<u>1,052</u>	<u>1,742</u>
Depreciation	<u>545</u>	<u>848</u>	<u>-</u>	<u>812</u>	<u>2,205</u>
Provision for doubtful debts	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

During the six months ended 30 September 2005, the Group continued to strengthen its brand recognition and distribution networks to provide total office furnishing solutions in Hong Kong, the People's Republic of China (the "PRC") and overseas markets.

Following the introduction of two new product lines being Vitra, an European brand name and Formway, a New Zealand brand name, in last year, the Group has launched a series of promotion campaigns to enhance brand name recognition and increase sales turnover. Amongst all, one of the activities held was the "Vitra in Hong Kong – T-Shirt Design Competition". The competition had attracted 12 quality design pieces, with contestants from renowned architectural and interior design conglomerates in Hong Kong, and the award presentation ceremony was held at the Group's Hong Kong Showroom in July 2005. In addition, a series of brand building advertising campaigns were launched by placing the advertisements in the premium publications in Hong Kong and in major cities of the PRC.

For the six months ended 30 September 2005, direct sales to the customers amounted to approximately 80.9 % of the Group's sales turnover. In addition to direct sales, the Group also continued to expand its dealership networks in the PRC and overseas. Up to 30 September 2005, the Group had successfully appointed a total of twenty-seven dealers in the PRC. A dealer in Pakistan has been newly appointed in the overseas market during the period under review.

In view of the Group's existing dealership network, the Group continued to collaborate with a number of overseas dealers to maintain the business relationships and dealership network with an aim to enhance the growth of sales and net profit. The Group also plans to explore new market opportunities by building up dealership networks in other untapped markets.

In order to increase the Group's profitability and maintain its competitive position, the Group continues to devote resources to develop new product lines with market competitiveness. Furthermore, in order to accomplish the Group's vision of "Turning Ultra to be synonymous with complete solutions to office furnishings" the Group plans to strengthen its customer service to and relations with customers by introducing "Customer Relationship Management". The Group has set up a customer relationship department in each of its sales offices in Hong Kong and the PRC to provide quality services to customers.

Financial Review

The Group has continued to achieve a significant growth in turnover and net profit for the six months ended 30 September 2005. It is mainly due to the continuous growth in market demand for new offices as well as office furnishings from both domestic and foreign companies in the PRC. The turnover of the Group for the three months and six months ended 30 September 2005 were approximately HK\$62.7 million and HK\$119.5 million respectively, representing an increase of approximately 56.7% and 57.5% as compared to the turnover of approximately HK\$40.0 million and HK\$75.8 million for the same period ended 30 September 2004.

The greater gross profit contributed to the Group with the amount of approximately HK\$20.9 million and HK\$39.8 million for the three months and six months ended 30 September 2005 respectively were in line with the growth in turnover achieved in these periods. The gross profit margin was maintained at similar level of approximately 33% as compared to the same three months period in last year.

The total expenses for the three months and six months ended 30 September 2005 were approximately HK\$16.7 million and HK\$32.0 million respectively representing an increase of approximately 22.8% and 24.7% as compared to approximately HK\$13.6 million and HK\$25.7 million for the corresponding periods last year. The increase in expenses was in line with the significant increase in turnover for the respective periods. Moreover, the percentage of total expenses to sales of approximately 26.6% and 26.8% for the three months and six months ended 30 September 2005 respectively, were improved as compared to the corresponding periods of 2004 of approximately 33.9% and 33.9% respectively.

The Group has achieved a net profit attributable to shareholders of approximately HK\$4.5 million and HK\$8.4 million for the three months and six months ended 30 September 2005 respectively. The Group's net profit increased by approximately 3,088% and 322% as compared to the net profit of the approximately HK\$0.1 million and HK\$2.0 million for the three months and six months ended 30 September 2004 respectively.

Liquidity and Financial Resources

As at 30 September 2005, the Group had bank and cash balances which amounted to approximately HK\$17.9 million (as at 31 March 2005: HK\$19.8 million). The bank overdrafts, short term bank loans and obligations under finance leases amounted to approximately HK\$4.9 million as at 30 September 2005 (as at 31 March 2005: HK\$10.8 million). These borrowings are denominated in HK dollars, 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\$0.8 million (as at 31 March 2005: HK\$0.7 million).

As at 30 September 2005, the Group has been granted banking facilities totaling HK\$20.7 million (as at 31 March 2005: HK\$14.4 million) of which HK\$12.3 million (as at 31 March 2005: HK\$13.2 million) were utilized and secured by pledge of the Company's fixed deposits, corporate guarantee 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 approximately 0.70 as at 30 September 2005 (as at 31 March 2005: 0.77).

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 six months ended 30 September 2005, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders as at 30 September 2005 was approximately HK\$24.5 million (as at 31 March 2005: HK\$16.1 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 30 September 2005, the pledged assets of the Group are bank deposits amounted to HK\$5.0 million (as at 31 March 2005: HK\$5.0 million) and the property owned by the Group in the PRC.

Human Resources

As at 30 September 2005, the Group employed approximately 827 (as at 31 March 2005: 835) employees in the PRC and approximately 88 (as at 31 March 2005: 80) staff in Hong Kong. The Group continues to employ, promote and reward its staff based upon 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.

For the six months ended 30 September 2005, the total staff costs, including Directors' emoluments, amounted to approximately HK\$16.4 million (2004: HK\$13.2 million).

Contingent Liabilities

As at 30 September 2005, the Group did not have any material contingent liabilities.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of actual business progress for the period from 1 April to 30 September 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").

Business objectives as set out in the Prospectus	Actual business progress in the Review Period
<p>Strengthening of marketing and promotional activities and brand name recognition</p> <ul style="list-style-type: none"> <li data-bbox="124 632 563 772">– Advertise and promote the Group's image via advertising in professional magazines and sponsor activities in Hong and the PRC <li data-bbox="124 986 563 1066">– Advertise and promote the brand name of Ultra in Saudi Arabia, United Arab Emirates and Kuwait <li data-bbox="124 1251 563 1305">– Continue to enrich the features and functions of the website 	<ul style="list-style-type: none"> <li data-bbox="611 632 1031 804">– The Group has launched a series of brand building campaigns by placing the advertisement in premium publications in Hong Kong and the major cities of PRC. <li data-bbox="611 836 1031 954">– The "Vitra in Hong Kong – T-Shirt Design Competition" was held to enhance recognition of the Group's image. <li data-bbox="611 986 1031 1219">– No dealer was yet appointed in the Middle East countries as the Group was in the process of evaluating the potential dealer in those countries. Hence, the advertising and promotion activities in these countries has been slower down. <li data-bbox="611 1251 1031 1337">– The Group has continuously enriched its web-site with new features and functions.

Business objectives as set out in the Prospectus	Actual business progress in the Review Period
<ul style="list-style-type: none"> - Promote the Group's overall image by attending international trade shows, industry exhibitions and conferences 	<ul style="list-style-type: none"> - The senior sales management attended international trade show and exhibition in office furniture such as NeoCon World's Trade Fair in the United States, and China International Furniture Fair ("CIFF") in Shanghai, PRC during the period under review.
<p>Expansion of sales and distribution network in the PRC</p> <ul style="list-style-type: none"> - Provide training to the Shanghai, Beijing and Guangzhou sales teams; and the existing dealers in the PRC - Study and evaluate potential dealers in other major PRC cities such as Shijiazhuang, Taiyuan, Zhengzhou, Hefei, Changsha, Nanchang, etc. 	<ul style="list-style-type: none"> - The Group's training department has regularly conducted training course to sales teams and project management teams to enhance their product knowledge and professional sales skills. Training course and materials were also provided to the dealers on a regular basis to maintain the Group's standard. - A total of twenty-seven dealers were appointed in twenty-three major PRC cities. The progress was completed sooner than initially planned. The business development managers frequently travelled to these cities to closely communicate with the dealers and to have a better understanding of the local market.

Business objectives as set out in the Prospectus	Actual business progress in the Review Period
<p>Expansion of sales and distribution network in the overseas markets</p> <ul style="list-style-type: none"> - Appoint dealers in Vietnam, Cambodia, Myanmar, Laos and Bahrain. Travel to these cities to arrange marketing events and print marketing materials for them 	<ul style="list-style-type: none"> - The dealer in Vietnam has been appointed for almost one year. The Group considered the market potential of other South Asia countries such as Cambodia, Myanmar, Laos and Bahrain to be not optimistic, so the Group did not appoint any new dealer in these countries and the marketing activities in these countries has been minimised.
<p>Enhancement of the Group's existing products and the launch of new products</p> <ul style="list-style-type: none"> - Official launch of the new chairs - Enhance the features of the new panel systems - Design and develop new desking systems 	<ul style="list-style-type: none"> - The Group has been granted the exclusive distribution rights in the PRC and Hong Kong for the distribution of chairs under the prestigious European brand of "Vitra" and New Zealand brand "Life Chair" since last year. - The Group entered into an OEM agreement to produce the New Zealand designed brand in the desking and panel system "Free and Grid" in last year. The Group's engineers were trained in the manufacturer's New Zealand Plant with the relevant product knowledge and manufacturing skills.

Business objectives as set out in the Prospectus	Actual business progress in the Review Period
	– The above vendors served a variety of new products in chairs, desking and panel systems with quality design and functions which enhanced the Group's product diversification to expand the market coverage.

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\$10.9 million was planned to be applied up to 30 September 2005, as follows:

	As budgeted in the Prospectus up to 30 September 2005 HK\$'000	Actual amount utilized up to 30 September 2005 HK\$'000
Strengthening of marketing and promotional activities and brand name recognition	4,000	3,969
Expansion of sales and distribution network in the PRC and overseas market	4,270	2,287
Enhancement of the Group's existing products and the launch of new products	2,600	2,371
Total	<u>10,870</u>	<u>8,627</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 30 September 2005.

OTHER INFORMATIONS

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

As at 30 September 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
Ms. Cho Yuen Yi, Wendy	Interest of controlled corporations	199,057,500 (Long position)	1, 2 & 3	36.86%

Notes:

- 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.
- Huge Mars International Limited is wholly owned by Ms. Cho Yuen Yi, Wendy whom is deemed interested in all the shares held by Huge Mars International Limited under the SFO.
- Excel Formation Limited is owned as to 50% by Ms. Cho Yuen Yi, Wendy and 50% by Mr. 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 September 2005.

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

As at 30 September 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%
Mr. Chan Pak Hung	Interest of a controlled corporation	81,000,000 (Long position)	2	15.00%
Mr. Chan Pat Leung	Interest of a controlled corporation	81,000,000 (Long position)	2	15.00%
Mr. 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 Ms. 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 Mr. Chan Pak Hung and 50% by Mr. Chan Pat Leung. Each of Mr. Chan Pak Hung and Mr. 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 Ms. Cho Yuen Yi, Wendy and 50% by Mr. 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 September 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 September 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 September 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 Mr. Siu Siu Ling, Robert, Dr. Wong Yun Kuen and Mr. Kong Tze Wing, and Mr. Kong Tze Wing is the chairman of the audit committee.

The unaudited quarterly results for the six months ended 30 September 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.

10. Code on Corporate Governance Practices

The Company has complied with all the code provisions (with the exceptions of Code Provision C.2 on internal control) set out in Appendix 15, Code on Corporate Governance Practices (the "Code") of the GEM Listing Rules throughout the six months ended 30 September 2005, except for the following deviations:

Code Provision A.1.3

This code stipulates that notice of at least 14 days should be given of a regular meeting. During the six months ended 30 September 2005, two regular board meetings were held and which were convened by notices of less than 14 days respectively. Nevertheless, most of the Directors had attended those two meetings. Actions has been taken to ensure compliance with this code in the future.

Code Provision A.2.1

This code stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual.

During the six months ended 30 September 2005, Ms. Cho Yuen Yi, Wendy ("Ms. Cho") is the Chairman of the Company and no chief executive officer has been appointed. The responsibilities of chief executive officer have been performed by Ms. Cho. The Directors consider that Ms. Cho possesses in-depth knowledge of the Group and has developed extensive and valuable network in the industry and therefore can enable the Group to make an implement decisions promptly and efficiently which is beneficial to the business prospects of the Group. The Directors also consider that this structure will not impair the balance of power and authority between the Directors and the management as the board of Directors, which comprises experienced and high caliber individuals, meets regularly to discuss issues affecting the operations of the Group.

Code Provision A.4.2

This code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In order to ensure full compliance with this code, special resolutions will be proposed to amend the relevant Articles of Association of the Company (Article 86(3) and Article 87 (1)) at the annual general meeting to be held in 2006.

Code Provision B.1.1

This code requires listed issuers to establish a remuneration committee with specific written terms of reference.

The Company has not established a remuneration committee during the six months ended 30 September 2005. Nevertheless, the remuneration committee will be established with written terms of reference in the second half of the financial year ending 31 March 2006.

By order of the Board
Cho Yuen Yi, Wendy
Chairman

Hong Kong, 15 November 2005