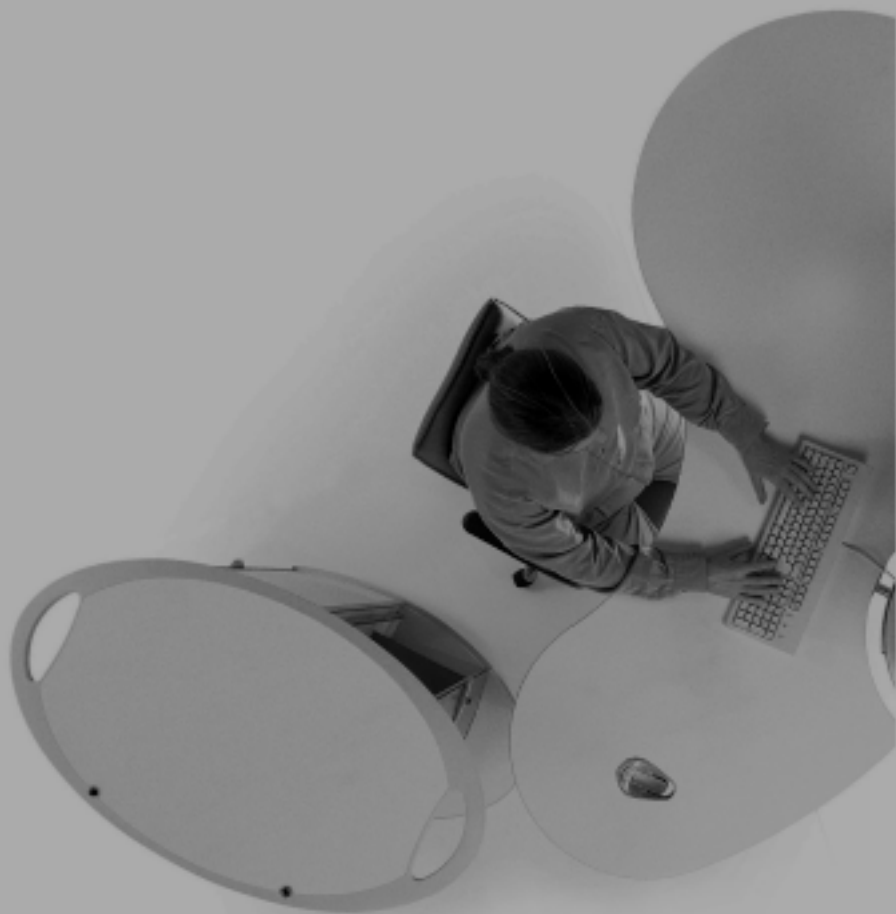




ULTRA GROUP HOLDINGS LIMITED
歐美集團控股有限公司

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



2005

Third Quarterly Report
第三季度報告

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 nine months ended 31 December 2005 amounted to approximately HK\$183.9 million (2004: HK\$115.5 million), representing an increase of approximately 59.3% as compared to the same period last year.
- Net profit attributable to shareholders for the nine months ended 31 December 2005 amounted to approximately HK\$12.9 million (2004: HK\$2.1 million), representing an increase of approximately 505.7% as compared to the same period last year.
- Earnings per share of the Group was approximately HK2.4 cents (2004: HK0.4 cents) for the nine months ended 31 December 2005.

UNAUDITED CONSOLIDATED INCOME STATEMENT*For the three months and nine months ended 31 December 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") for the three and nine months ended 31 December 2005, together with the unaudited comparative figures for the corresponding periods in 2004 as follows:

	Notes	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	3	64,422	39,603	183,905	115,451
Cost of sales		(41,677)	(26,024)	(121,329)	(74,550)
Gross profit		22,745	13,579	62,576	40,901
Other revenue		430	157	1,031	510
Selling and distribution costs		(8,104)	(5,234)	(21,020)	(15,051)
Administrative and other operating expenses		(10,412)	(8,229)	(29,255)	(23,924)
Profit from operations		4,659	273	13,332	2,436
Finance costs		(103)	(124)	(383)	(302)
Profit before taxation		4,556	149	12,949	2,134
Taxation	4	–	–	(23)	–
Profit attributable to shareholders		4,556	149	12,926	2,134
Dividends	5	–	–	–	–
Basic earnings per share (<i>cents</i>)	6	0.84	0.03	2.39	0.40

NOTES TO THE FINANCIAL STATEMENT

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 31 December 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 and nine months ended 31 December 2005:

	Unaudited Three months ended 31 December				Unaudited Nine months ended 31 December			
	2005		2004		2005		2004	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	20,972	33	7,831	20	58,554	32	30,873	27
The PRC	33,536	52	27,945	70	96,353	52	74,327	64
Overseas	9,914	15	3,827	10	28,998	16	10,251	9
Total	64,422	100	39,603	100	183,905	100	115,451	100

4. Taxation

Taxation in the unaudited consolidated income statement represents:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax – underprovision in previous years	–	–	23	–

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.

5. Dividends

The Directors do not recommend the payment of dividend for the nine months ended 31 December 2005 (2004: HK\$Nil).

6. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders for the periods of three months and nine months ended 31 December 2005, which are HK\$4.6 million (2004: HK\$0.1 million) and HK\$12.9 million (2004: HK\$2.1 million) respectively, as well as 540 million (2004: 540 million) 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	-	-	-	-	2,134	2,134
At 31 December 2004	<u>5,400</u>	<u>9,536</u>	<u>(122)</u>	<u>(48)</u>	<u>382</u>	<u>15,148</u>
At 1 April 2005	5,400	9,536	(122)	(48)	1,355	16,121
Surplus arising from change of exchange rate	-	-	-	430	-	430
Profit for the period	-	-	-	-	12,926	12,926
At 31 December 2005	<u>5,400</u>	<u>9,536</u>	<u>(122)</u>	<u>382</u>	<u>14,281</u>	<u>29,477</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

During the nine months ended 31 December 2005 under review, the Group continued to strengthen its position to provide total office furnishing solutions in Hong Kong, the People's Republic of China (the "PRC") and overseas markets.

Pursuant to the launch of Vitra, a European brand name, in 2005, the Group has identified promotional channels to strengthen its brand recognition among interior design and architectural firms. Amongst all, one of the promotional campaigns held was partnering with Vitra to sponsor the event "Perspective Design Recognition Awards 2005" organized by a renowned publication group. The award presentation night held in Four Seasons Hotel – Hong Kong on 10 November 2005 has brought design excitement to the local market where more than 200 attending interior designers, architects, and senior executives were impressed by the collaboration of Vitra's Meda chairs. In addition to the said event, a series of brand building advertising campaign was launched with advertisements in high-end publications in Hong Kong and major cities in the PRC.

In view of the Group's existing dealership network, the Group continued to review dealer performance and to identify quality dealers to enhance market penetration in other untapped markets and strengthen network establishment. The Group has confidence to improve turnover through dealerships due to the steady growth of the Asia market. For the nine months ended 31 December 2005, the overseas turnover represented a relatively higher proportion of the Group's turnover at 16% as compared to 9% for the same period last year. The increment was attributable to the enhancement of dealer performance in India and Philippine.

In order to follow the operating objective of "Your Success Is Our Passion", the Group continued to devote resources in establishing a call centre in Guangzhou to provide customers with "One-point Contact" customer service. Customers from different regions are expected to receive prompt reply simply by calling the Group's customer service hotline. All requests from customers will be handled and screened and passed to the designated customer service representatives in relative sales offices to follow up.

Financial Review

The turnover of the Group for the three months and nine months ended 31 December 2005 were approximately HK\$64.4 million and HK\$183.9 million respectively, representing an increase of approximately 62.7% and 59.3% as compared to the turnover of approximately HK\$39.6 million and HK\$115.5 million for the same periods ended 31 December 2004.

The larger gross profit contributed to the Group with the amount of approximately HK\$22.7 million and HK\$62.6 million for the three months and nine months ended 31 December 2005 respectively were in line with the higher turnover achieved in this period. The gross profit margin for the three months ended 31 December 2005 was maintained at similar level of approximately 35% as compared to approximately 34% of the same period in last year.

The total expenses for the three months and nine months ended 31 December 2005 were approximately HK\$18.6 million and HK\$50.7 million respectively representing an increase in total expenses as compared to approximately HK\$13.6 million and HK\$39.3 million for the corresponding periods last year. Moreover, the percentage of total expenses to sales of approximately 28.9% and 27.5% for the three months and nine months ended 31 December 2005 respectively was decreased as compared to the corresponding periods of 2004 of 34.3% and 34.0% respectively. The increase in expenses was in line with the tremendous increase in turnover.

The Group has achieved a net profit attributable to shareholders of approximately HK\$4.6 million and HK\$12.9 million for the three months and nine months ended 31 December 2005 respectively. The Group's net profit increased by approximately 2,958% and 506% as compared to the net profit of the approximately HK\$0.1 million and HK\$2.1 million for the three months and nine months ended 31 December 2004 respectively.

Liquidity and Financial Resources

As at 31 December 2005, the Group had bank and cash balances of approximately HK\$24.2 million (as at 31 March 2005: HK\$19.8 million) and short term bank loans and overdrafts of approximately HK\$5.4 million (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 repayable in two to five years, interest-bearing at prevailing market rates and denominated in Hong Kong dollars amounted to HK\$0.7 million (as at 31 March 2005: HK\$0.7 million).

Gearing Ratio

The Group's gearing ratio, defined as the ratio between total liabilities over total assets, was 0.68 as at 31 December 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 period ended 31 December 2005, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders as at 31 December 2005 was approximately HK\$29.5 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 Group Assets

Certain of the Group's assets are pledged to banks as security for general banking facilities granted. As at 31 December 2005, the pledged assets of the Group are bank deposits amounted to HK\$3.5 million (as at 31 March 2005: HK\$5 million) and the property owned by the Group in PRC.

Contingent Liabilities

As at 31 December 2005, the Group did not have any material contingent liabilities.

OTHER INFORMATIONS

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

As at 31 December 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:

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 Ms. 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 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 31 December 2005.

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

As at 31 December 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 31 December 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 31 December 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 31 December 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 nine months ended 31 December 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, 9 February 2006