



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

Incorporated in Cayman Islands with limited liability

(於開曼群島註冊成立之有限公司)

Stock Code: 8203 股票代號: 8203



2006 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, makes 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 (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.*

- Turnover of the Group for the three months ended 30 June 2006 amounted to approximately HK\$71.7 million (2005: HK\$56.8 million), representing an increase of approximately 26.4% as compared to the same period last year.
- Net profit attributable to equity holders of the Company for the three months ended 30 June 2006 amounted to approximately HK\$4.9 million (2005: HK\$3.8 million), representing an increase of approximately 27.3% as compared to the same period last year.
- Earnings per share of the Group was approximately HK cents 0.9 (2005: HK cents 0.7) for the three months ended 30 June 2006.

**02 UNAUDITED CONSOLIDATED INCOME STATEMENT**

FOR THE THREE MONTHS ENDED 30 JUNE 2006

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 months ended 30 June 2006, together with the unaudited comparative figures for the corresponding period in 2005 as follows:

		<b>Unaudited Three months ended 30 June</b>	
		<b>2006</b>	2005
		<b>HK\$'000</b>	HK\$'000
	<i>Notes</i>		
Turnover	3	<b>71,729</b>	56,753
Cost of sales		<b>(47,077)</b>	(37,837)
Gross profit		<b>24,652</b>	18,916
Other income		<b>480</b>	306
Selling and distribution costs		<b>(8,639)</b>	(5,944)
Administrative and other operating expenses		<b>(11,427)</b>	(9,262)
Profit from operations		<b>5,066</b>	4,016
Finance costs		<b>(172)</b>	(173)
Profit before taxation		<b>4,894</b>	3,843
Taxation	4	–	–
Profit for the period attributable to equity holders of the Company		<b>4,894</b>	3,843
Dividends	5	–	–
Basic earnings per share (cents)	6	<b>0.91</b>	0.71

**NOTES TO THE FINANCIAL STATEMENTS****03****1. General information**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. The address of its principal place of business is 3/F., Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong. The Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 20 January 2004.

**2. Basis of preparation and accounting policies**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies.

The accounting policies and basis of the preparation of the financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2006.

**3. Turnover**

The Group is principally engaged in the manufacturing and sales of office furniture. 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.

**04 NOTES TO THE FINANCIAL STATEMENTS****3. Turnover (continued)**

The following table sets out the turnover breakdown of the Group by geographical region for the three months ended 30 June 2006:

	Unaudited Three months ended 30 June			
	2006		2005	
	HK\$'000	%	HK\$'000	%
Hong Kong	21,005	29	14,659	26
The PRC	38,189	53	35,248	62
Overseas	12,535	18	6,846	12
Total	<u>71,729</u>	<u>100</u>	<u>56,753</u>	<u>100</u>

**4. Taxation**

No provision for Hong Kong profits tax is required since the Group has sufficient tax losses brought forward to set off against current year's 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 Company Limited, a wholly-owned subsidiary of the Company 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.

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.

**5. Dividends**

The Directors do not recommend the payment of dividend for the three months ended 30 June 2006 (2005: HK\$Nil).

NOTES TO THE FINANCIAL STATEMENTS **05****6. Earnings per share**

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company for the three months ended 30 June 2006 of HK\$4.9 million (2005: HK\$3.8 million) and 540,000,000 (2005: 540,000,000) ordinary shares of the Company in issue throughout the three months ended 30 June 2006.

No diluted earnings per share have been presented as the Company did not have any diluted potential ordinary shares during the three months ended 30 June 2006.

**7. Reserve and capital**

	Reserves					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange translation reserve HK\$'000	(Accumulated currency losses)/ retained profits HK\$'000	
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>
At 1 April 2006	5,400	9,536	(122)	483	22,303	37,600
Profit for the period	—	—	—	—	4,894	4,894
At 30 June 2006	<u>5,400</u>	<u>9,536</u>	<u>(122)</u>	<u>483</u>	<u>27,197</u>	<u>42,494</u>

**06 MANAGEMENT DISCUSSION AND ANALYSIS****Financial Review**

The turnover of the Group for the three months ended 30 June 2006 was approximately HK\$71.7 million, representing an increase of approximately 26.4% as compared to the turnover of approximately HK\$56.8 million for the three months ended 30 June 2005.

Gross profit of the Group for the three months ended 30 June 2006 was approximately HK\$24.7 million. Gross profit margin was increased slightly by 1.1% to 34.4% from 33.3% of the same period last year.

The total expenses of the Group for the three months ended 30 June 2006 were approximately HK\$20.2 million, representing an increase of HK\$4.9 million as compared to approximately HK\$15.4 million for the corresponding period last year. The percentage of total expenses to sales was approximately 28.2% for the three months ended 30 June 2006 which was close to 27.1% for the corresponding period of 2005. The increase in expenses was in line with the tremendous increase in turnover.

The Group recorded a net profit attributable to equity holders of approximately HK\$4.9 million for the three months ended 30 June 2006. The Group's net profit increased by approximately 27.3% as compared to the net profit of approximately HK\$3.8 million for the three months ended 30 June 2005.

*Liquidity and Financial Resources*

As at 30 June 2006, the Group had bank and cash balances of approximately HK\$31.8 million (as at 31 March 2006: HK\$27.9 million). The Group's bank overdrafts and short term bank loans and obligations under finance leases amounted to approximately HK\$7.5 million (as at 31 March 2006: HK\$7.4 million).

The Group's long term liabilities, which comprised bank loans and obligations under finance leases repayable in two to five years, amounted to HK\$0.7 million as at 30 June 2006 (as at 31 March 2006: HK\$0.8 million).

*Gearing Ratio*

The Group's gearing ratio as at 30 June 2006, representing the ratio of the Group's total liabilities over the Group's total assets, was 0.62 (as at 31 March 2006: 0.65).



### *Capital Structure*

There has been no change in the capital structure of the Company for the three months ended 30 June 2006. During the three months ended 30 June 2006, the Group's net assets were financed by internal resources through share capital and reserves and the total equity attributable to equity holders as at 30 June 2006 was approximately HK\$42.5 million (as at 31 March 2006: HK\$37.6 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 exposed to significant foreign exchange risk. Hence, no hedging or other arrangement to reduce the Renminbi currency risk has been implemented.

### *Charge on Group's Assets*

Some of the Group's assets are pledged to banks as security for general banking facilities granted to the Group. As at 30 June 2006, the assets of the Group pledged to banks included bank deposits in the aggregate amount of approximately HK\$3.5 million (as at 31 March 2006: HK\$3.5 million) and the legal charge on the prepaid land lease payments and the buildings owned by the Group in the PRC.

### *Contingent Liabilities*

As at 30 June 2006, the Group did not have any material contingent liabilities (as at 31 March 2006: HK\$Nil).

**08 MANAGEMENT DISCUSSION AND ANALYSIS****Business Review and Outlook**

During the three months ended 30 June 2006 under review, the Group's business has grown steadily in spite of the competitive market environment of office furniture.

The Group was confident and enthusiastic to further strengthen its organizational structure by reinforcing its corporate service team in each sales office to deliver customized furnishing solutions to multinational corporate clients. In the Asia Pacific region, the regional setting is proven to be successful for us to develop a portfolio of sizable clientele. In view of the competitive environment of import furniture, the Group has leveraged on the expertise of furniture veterans to set up a premier team to formulate marketing strategies for the purpose of driving distribution performance of import brands, including European-brand Vitra and New Zealand-brand Formway. 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 the "HeadLine Presentation Contest 2006" in May 2006 where innovative design in facilitating musculoskeletal system for optimal seating comfort was brought to Hong Kong and the PRC markets where both the designer and the press were impressed by the sophistication of the HeadLine Chair.

The Group continued to put increased efforts to review dealer performance and to identify quality dealers in other untapped markets such as India, Pakistan and the Philippines in order to enhance market penetration and to strengthen network establishment. In addition to the overseas dealership, the Group has also continued to expand its dealership network in the PRC. During the period under review, the Group has successfully appointed new dealers in Nantong, Kunming, and Dalian. As at 30 June 2006, the Group has appointed a total of twenty-nine dealers in the PRC. The Group is optimistic that the dealership turnover can be further improved in view of the steady growth of the Asian market.

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

As at 30 June 2006, 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 5.48 to 5.67 of the GEM Listing Rules were as follows:

### *Interests in the shares of the Company (the "Shares")*

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 who is deemed to be interested in the 22,882,500 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 to be interested in the 176,175,000 Shares held by Excel Formation Limited under the SFO.

Save as disclosed above, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, 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 Rules 5.48 to 5.67 of the GEM Listing Rules as at 30 June 2006.

**10 OTHER INFORMATION****2. Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares**

As at 30 June 2006, 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%
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. Ms. Cho Yuen Yi, Wendy is deemed to be interested in the 176,175,000 Shares held by Excel Formation Limited. Relevant disclosure has been made under the paragraph headed "Interests and Short Positions of Directors and Chief Executives in Shares, Underlying Shares and Debentures" above.
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 to be interested in the 81,000,000 Shares 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 to be interested in the 176,175,000 Shares held by Excel Formation Limited under the SFO.

Save as disclosed above, as at 30 June 2006, no person had registered an interest or short position in the Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### 3. Share Options

A 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 2006, 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 2006, 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 any right to subscribe for or to nominate person to subscribe for the securities of the Company.

Pursuant to the sponsor agreement dated 19 January 2004 which was entered into between the Company and DTCF, DTCF was appointed as the compliance adviser of 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. The appointment of DTCF as the compliance adviser of the Company was extended from 31 March 2006 to 30 June 2006 by mutual agreement between the parties.

### 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.

**12 OTHER INFORMATION**

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 three months ended 30 June 2006 have been reviewed by the audit committee which 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 three months ended 30 June 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the three months ended 30 June 2006.

**8. Securities Transactions by Directors**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the three months ended 30 June 2006. 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 under the GEM Listing Rules and its code of conduct regarding securities transactions by Directors.

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

Hong Kong, 9 August 2006

As at the date of this report, the executive Directors are Ms. Cho Yuen Yi, Wendy and Ms. Wong Ching Ngor. The independent non-executive Directors are Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen.