FIRST QUARTERLY REPORT 07

二零零七年 第一季度報告

(Stock Code 股份代號：8203)

ULTRA
OFFICE FURNITURE

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)

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 (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 2007 amounted to approximately HK$91.4 million (2006: HK$71.7 million), representing an increase of approximately 27.4% as compared to the same period last year.

- Net profit attributable to equity holders of the Company for the three months ended 30 June 2007 amounted to approximately HK$5.1 million (2006: HK$4.9 million), representing an increase of approximately 5.2% as compared to the same period last year.

- Earnings per share of the Group was approximately HK cents 0.95 (2006: HK cents 0.91) for the three months ended 30 June 2007.

UNAUDITED CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2007

The board of directors (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 2007, together with the unaudited comparative figures for the corresponding period in 2006 as follows:

		Unaudited Three months ended 30 June	
	Notes	**2007** **HK$'000**	2006 HK$'000
Turnover	4	**91,401**	71,729
Cost of goods sold		**(62,574)**	(47,077)
Gross profit		**28,827**	24,652
Other income		**287**	480
Selling and distribution costs		**(11,963)**	(8,639)
Administrative and other operating expenses		**(11,918)**	(11,427)
Profit from operations		**5,233**	5,066
Finance costs		**(155)**	(172)
Profit before tax		**5,078**	4,894
Income tax expense	5	**69**	–
Profit for the period attributable to equity holders of the Company		**5,147**	4,894
Dividends	6	**–**	–
Basic earnings per share (HK cents)	7	**0.95**	0.91

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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 3/F., Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Adoption of new and revised HKFRSs

During the three months ended 30 June 2007, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the three months ended 30 June 2007 and the same period in last year.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange 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 HKFRSs 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 2007.

NOTES TO THE FINANCIAL STATEMENTS

4. 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.

The following table sets out the turnover breakdown of the Group by geographical region for the three months ended 30 June 2007:

	Unaudited Three months ended 30 June			
	2007		2006	
	HK$'000	***%***	*HK$'000*	*%*
Hong Kong	**26,857**	**29**	21,005	29
The PRC	**49,366**	**54**	38,189	53
Overseas	**15,178**	**17**	12,535	18
Total	**91,401**	**100**	71,729	100

5. Income tax expense

	Unaudited Three months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong profits tax – over provision in prior year	**69**	–

No provision for Hong Kong profits tax is required since the Group has sufficient tax losses brought forward to set off against assessable profit for the three months ended 30 June 2007. 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 People's Republic of China ("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.

6. Dividends

The Directors do not recommend the payment of dividend for the three months ended 30 June 2007 (2006: HK$Nil).

7. Earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the three months ended 30 June 2007 attributable to equity holders of the Company of HK$5.1 million (2006: HK$4.9 million) and on the weighted average number of ordinary shares of 540,000,000 (2006: 540,000,000) in issue during the three months ended 30 June 2007.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the three months ended 30 June 2007 and the same period in 2006.

8. Reserve and capital

		Reserves				
	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2006	5,400	9,536	(122)	483	22,303	37,600
Translation difference	–	–	–	–	–	–
Net income recognised directly in equity	–	–	–	–	–	–
Profit for the period	–	–	–	–	4,894	4,894
Total recognised income and expense for the period	–	–	–	–	4,894	4,894
At 30 June 2006	5,400	9,536	(122)	483	27,197	42,494
At 1 April 2007	5,400	9,536	(122)	2,626	38,177	55,617
Translation difference	–	–	–	1,252	–	1,252
Net income recognised directly in equity	–	–	–	1,252	–	1,252
Profit for the period	–	–	–	–	5,147	5,147
Total recognised income and expense for the period	–	–	–	1,252	5,147	6,399
At 30 June 2007	5,400	9,536	(122)	3,878	43,324	62,016

9. Events after the balance sheet date

On 3 July 2007, the Group subscribed for 51% of the entire issued share capital of Global On-Line Distribution Limited ("Global On-Line") as enlarged by the issue of new shares at a cash consideration of HK$5,100. The Group will also advance HK$2,250,000 to this company. Upon completion of the share subscription, it is expected that the Group's total assets and total liabilities will be increased by approximately HK$2.1 million and HK$2.1 million respectively. The figures are extracted from the management accounts as at 3 July 2007 of Global On-Line.

On 24 July 2007, the Group subscribed for 51% of the entire issued share capital of Long Capital Development Limited ("Long Capital") as enlarged by the issue of new shares at a cash consideration of HK$10,000,000. Long Capital is the legal and beneficial owner of the entire issued share capital of Challenger Auto Services Limited ("CHALLENGER"). Save for the information as disclosed in the Company's circular dated 26 July 2007, the other financial information related to this transaction is not yet available as the management accounts of the CHALLENGER up to the closing date has not been completed as at the date of this report.

The Group's subscription of shares in the above two companies will not have any material impact on the earnings of the Group.

Business Review and Outlook

During the three months ended 30 June 2007 under review, the Group secured a fair business growth in the intensively competitive market environment. Continuous severe competitions are foreseeable in the future, which will require the Company's continuous strategic adjustment in order to maintain business sustainability and continuous growth of the Group.

Despite severe competitions in the office furniture industry, both sales volume and revenue have been increased due to our proactive sales strategies and continuous expansions of sales network. High level of managerial participations and monitoring into details made major contributions towards the growth. Revenues derived from the four direct sales offices in Hong Kong, Shanghai, Beijing and Guangzhou, twenty-seven dealers in the PRC and twelve overseas dealers made equally important contributions towards the total revenue of the Group that increased 27.4% as compared to the three months ended 30 June 2006. Notwithstanding the efforts made in sales growth, the gross profit margin was deteriorated to 31.5% for the three months ended 30 June 2007 as compared to 34.4% for the same period in last year due to the increasing cost of sales.

By maintaining a portfolio of world-class customers with global presence, the Group does not rely on any particular geographical regions for its business growth. With the efforts put on overseas sales and marketing, the export business of the Group made progressive improvement during the period, in which the Group will further invest resources for more encouraging future return.

In light of the escalating rigorous competitions, the management has been extending much more efforts to secure future business sustainability. The Group further strengthened its organizational structure by reinforcing its marketing team to provide full support to sales process, from market analysis, product development, training, to marketing materials refinement and more promotion events. By such actions to improve marketing quality, the Group is focusing on a stronger differentiation to maintain and improve business sustainability. The Group also sponsored events held by Hong Kong Design Center for international and Hong Kong interior designers.

Looking forward, the business environment is difficult and challenging. More efforts, including, continuous improvement of marketing, product and service quality, together with research and development capacity expansion and strong product portfolio management are indispensable. With the managerial vision, strategic planning and proper implementations, we believe that the Group is on a healthier business growth path and a stable business return is expected realistically.

As mentioned in the announcements of the Company dated 8 May 2007, 9 May 2007, 14 May 2007, 31 May 2007, 7 June 2007, 18 June 2007, 13 July 2007, 25 July 2007 and 7 August 2007, the Company has been contemplating various corporate exercises involving the acquisitions of new businesses and the possible disposal of certain business operations of the Group for the purpose of diversifying and reorganising the business portfolio of the Group. On 18 June 2007, the Board announced that it has entered into a share subscription agreement, pursuant to which the Company will subscribe for 5,100 new shares in Global On-Line Distribution Limited ("Global On-Line"), representing 51% of the entire issued share capital of Global On-Line as enlarged by the issue of new shares. Global On-Line is an on-line distributor of office supplies and equipments providing multi-channel and cross-border trade solutions to both corporate and individual on-line buyers. On 13 July 2007, the Board announced that it has entered into another share subscription agreement on 11 July 2007, pursuant to which the Company desired to subscribe for 5,100 new shares in Long Capital Development Limited ("Long Capital"), representing 51% of the entire issued share capital of Long Capital as enlarged by the issue of new shares. Long Capital is the legal and beneficial owner of the entire issued share capital of Challenger Auto Services Limited which is principally engaged in auto servicing businesses which include provision of professional auto detailing service, comprehensive auto repairing and organised membership service, well-established and organised membership service, 24-hour towing service and auto detailing franchise operation services under its own brand name "CHALLENGER". The Board is of the view that both investments are in line with the business strategy of the Group and represent an excellent opportunity for the Company to diversify into on-line office supplies and equipment distribution business and expand the existing automobile services business of CHALLENGER in the PRC. Following completion of the subscription of new shares in Global On-Line and Long Capital which have taken place on 3 July 2007 and 24 July 2007 respectively, the Company continues to seek other investment opportunities and pursue the possibility of disposing of certain business operations of the Group. Lately, the Company has made significant progress in negotiating with an independent third party which may lead to a disposal of certain or all of the existing furniture business of the Group.

Financial Review

The Group's turnover for the three months ended 30 June 2007 was approximately HK$91.4 million, which represented an increase of approximately 27.4% as compared to the turnover of approximately HK$71.7 million for the three months ended 30 June 2006.

Gross profit of the Group for the three months ended 30 June 2007 was approximately HK$28.8 million. Gross profit margin was decreased to approximately 31.5% as compared to approximately 34.4% for the same period last year. The decrease in the gross profit margin was caused by the continuing appreciation of Renminbi and the increase in the production costs, raw material costs, transportation and installation costs.

For the three months ended 30 June 2007, the total operating expenses was increased by approximately 18.8% as compared that of the same period last year. The percentage of total expenses to sales was approximately 26.3% for the three months ended 30 June 2007 which was decreased by 1.9% as compared to that of the same period last year. The increase in expenses was in line with the increase in turnover.

The Group recorded a net profit attributable to equity holders of approximately HK$5.1 million for the three months ended 30 June 2007. The Group's net profit was increased by approximately 5.2% as compared to the net profit of approximately HK$4.9 million for the three months ended 30 June 2006.

Liquidity and Financial Resource

As at 30 June 2007, the Group had bank and cash balances of approximately HK$45.5 million (as at 31 March 2007: HK$49.7 million). The Group's bank overdrafts and current portion of bank loan and obligations under finance leases amounted to approximately HK$3.8 million (as at 31 March 2007: HK$10.4 million). These borrowings are denominated in Hong Kong dollars, United States dollars and Renminbi and are repayable within one year and bear interest at prevailing market rates.

The Group's long term liabilities, which comprised bank loans and obligations under finance leases repayable in two to five years, amounted to approximately HK$0.4 million (as at 31 March 2007: HK$0.5 million). These bank loan and finance leases bear interest at prevailing market rates and are denominated in Hong Kong dollars.

Gearing Ratio

The Group's gearing ratio, which represents the ratio of the Group's total liabilities over the Group's total assets, was 0.60 as at 30 June 2007 (as at 31 March 2007: 0.61).

Capital Structure

There has been no change in the capital structure of the Company for the three months ended 30 June 2007. During the three months ended 30 June 2007, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to equity holders of the Company as at 30 June 2007 was approximately HK$62.0 million (as at 31 March 2007: HK$55.6 million).

Foreign Exchange Exposure

The income and expenditure of the Group are mainly denominated in Hong Kong dollars and Renminbi. The directors do not consider that the Group is exposed to significant foreign exchange risk. Hence, no hedging or other arrangements to reduce the risk in the fluctuation of Renminbi have been implemented by the Group.

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 2007, 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 2007: 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

A subsidiary of the Group is currently a co-defendant with a driver, who is an ex-employee of that subsidiary, in a lawsuit brought by a party in a personal injury claim involving a traffic accident. The Group and its insurance company have been contesting the claim. Although the final outcome of the proceedings is still uncertain, the Directors are of the opinion that the ultimate liability of the Group arising from the claim, if any, should not have a material adverse impact on the Group's financial position.

Save as the said litigation, the Group did not have any material contingent liabilities as at 30 June 2007 (as at 31 March 2007: HK$Nil).

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

As at 30 June 2007, 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	83,826,500 (Long Position)	1, 2 & 3	15.52%

Notes:

1. These Shares are held as to 22,882,500 Shares by Huge Mars International Limited and 60,944,000 Shares by Excel Formation Limited.

2. 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.

3. Excel Formation Limited is wholly-owned by Ms. Cho Yuen Yi, Wendy, who is deemed to be interested in the 60,944,000 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 2007.

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

As at 30 June 2007, 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
Plowright Investments Limited	Beneficial owner	115,231,000 (Long position)	1	21.34%
Harmony Asset Limited	Interest of a controlled corporation	115,231,000 (Long position)	1	21.34%
Gold Master Business Limited	Beneficial owner	81,000,000 (Long position)	2	15.00%
Mr. Wong Wai Keung, Dennis	Interest of a controlled corporation	81,000,000 (Long position)	2	15.00%
Ms. Cho Yuen Yi, Wendy	Interest of a controlled corporation	83,826,500 (Long position)	3, 4 & 5	15.52%
Excel Formation Limited	Beneficial owner	60,944,000 (Long position)	5	11.29%

Notes:

1. Plowright Investments Limited is a wholly-owned subsidiary of Harmony Asset Limited, the shares of which are listed on the Main Board of the Stock Exchange. Harmony Asset Limited is deemed to be interested in the 115,231,000 Shares held by Plowright Investments Limited under the SFO.

2. Gold Master Business Limited is wholly-owned by Mr. Wong Wai Keung, Dennis, who is deemed to be interested in the 81,000,000 Shares held by Gold Master Business Limited under the SFO.

3. These Shares are held as to 22,882,500 Shares by Huge Mars International Limited and 60,944,000 Shares by Excel Formation Limited.

4. 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.

5. Excel Formation Limited is wholly-owned by Ms. Cho Yuen Yi, Wendy, who is deemed to be interested in the 60,944,000 Shares held by Excel Formation Limited under the SFO.

Save as disclosed above, as at 30 June 2007, 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 shareholders of the Company by way of written resolutions passed on 9 December 2003. The principal purpose of the Scheme is to enable the Company to grant options to subscribe for Shares to the eligible persons as incentives or rewards for their contributions to the Group.

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 with the Group.

5. 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 those matters within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit, internal controls and risk evaluation. The audit committee comprises three independent non-executive Directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen, and Mr. Liew Swee Yean is the chairman of the audit committee.

The unaudited quarterly results for the three months ended 30 June 2007 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.

6. Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the three months ended 30 June 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Shares during the three months ended 30 June 2007.

7. Code of Conduct Regarding 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 2007. 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, 8 August 2007

As at the date of this report, the executive Directors of the Company are Ms. Cho Yuen Yi, Wendy, Ms. Wong Ching Ngor and Mr. Wu Kam Hung. The independent non-executive Directors of the Company are Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen.