

INTERIM REPORT

二零零七年 中期報告

(Stock Code 股份代號 : 8203)

07



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, 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 six months ended 30 September 2007 amounted to approximately HK\$217.7 million (2006: HK\$149.6 million), representing an increase of approximately 45.5% as compared to the same period last year.
- Net profit attributable to equity holders of the Company for the six months ended 30 September 2007 amounted to approximately HK\$9.5 million (2006: HK\$9.8 million), representing a decrease of approximately 4.0% as compared to the same period last year.
- Earnings per share of the Group was approximately HK cents 1.8 (2006: HK cents 1.8) for the six months ended 30 September 2007.

02 | CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 and six months ended 30 September 2007, together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

	Notes	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	5	126,272	77,854	217,673	149,583
Cost of goods sold		(88,190)	(52,069)	(150,764)	(99,146)
Gross profit		38,082	25,785	66,909	50,437
Other income		455	280	742	759
Selling and distribution costs		(16,077)	(9,686)	(28,039)	(18,325)
Administrative and other operating expenses		(18,209)	(11,249)	(30,128)	(22,676)
Profit from operations		4,251	5,130	9,484	10,195
Finance costs		(104)	(175)	(259)	(347)
Profit before tax		4,147	4,955	9,225	9,848
Income tax expense	6	(5)	–	64	–
Profit for the period	7	4,142	4,955	9,289	9,848
Attributable to:					
Equity holders of the Company		4,303	4,955	9,450	9,848
Minority interests		(161)	–	(161)	–
Profit for the period		4,142	4,955	9,289	9,848
Dividends payable to equity holders of the Company	8	–	–	–	–
Basic earnings per shares (cents)	9	0.80	0.92	1.75	1.82

CONDENSED CONSOLIDATED BALANCE SHEET 03

AT 30 SEPTEMBER 2007

	Note	Unaudited as at 30 September 2007 HK\$'000	Audited as at 31 March 2007 HK\$'000
Non-current assets			
Fixed assets		21,011	18,313
Prepaid land lease payments		1,399	1,390
Intangible assets		5,451	334
Goodwill		5,138	–
		<u>32,999</u>	<u>20,037</u>
Current assets			
Inventories		24,611	18,541
Trade and bills receivables	10	86,783	50,008
Deposits, prepayments and other receivables		10,829	4,690
Current tax assets		843	185
Pledged bank deposits		3,521	3,521
Bank and cash balances		41,878	46,186
		<u>168,465</u>	<u>123,131</u>
Less: Current liabilities			
Trade and bills payables	11	79,250	39,457
Other payables and accruals		29,232	28,895
Dividend payables		–	15
Sales deposits received		17,519	8,330
Short term borrowings		3,439	10,091
Current portion of long term borrowings		254	282
		<u>129,694</u>	<u>87,070</u>
Net current assets		<u>38,771</u>	<u>36,061</u>
Total assets less current liabilities		<u>71,770</u>	<u>56,098</u>
Non-current liabilities			
Long term borrowings		353	481
NET ASSETS		<u>71,417</u>	<u>55,617</u>
Capital and reserves			
Share capital	12	5,400	5,400
Reserves		61,501	50,217
Total equity attributable to equity holders of the Company		<u>66,901</u>	<u>55,617</u>
Minority interests		<u>4,516</u>	<u>–</u>
TOTAL EQUITY		<u>71,417</u>	<u>55,617</u>

04 | CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	<i>Note</i>	Unaudited Six months ended 30 September	
		2007 HK\$'000	2006 HK\$'000
Net cash (used in)/generated from operating activities		(795)	12,481
Net cash generated from/(used in) investing activities	4	1,391	(4,239)
Net cash (used in)/generated from financing activities		(7,503)	103
Net (decrease)/increase in cash and cash equivalents		(6,907)	8,345
Effect of foreign exchange rate change		1,904	–
		(5,003)	8,345
Cash and cash equivalents at 1 April		46,186	24,362
Cash and cash equivalents at 30 September		<u>41,183</u>	<u>32,707</u>
Analysis of cash and cash equivalents			
Bank and cash balances		41,878	32,707
Bank overdrafts		(695)	–
		<u>41,183</u>	<u>32,707</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 05

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Reserves								
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Foreign currency translations reserve HK\$'000	Retained profits HK\$'000	Total reserve HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2006	5,400	9,536	(122)	483	22,303	32,200	37,600	-	37,600
Translation difference	-	-	-	-	-	-	-	-	-
Net income recognised directly in equity	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	9,848	9,848	9,848	-	9,848
Total recognised income and expense for the period	-	-	-	-	9,848	9,848	9,848	-	9,848
At 30 September 2006	<u>5,400</u>	<u>9,536</u>	<u>(122)</u>	<u>483</u>	<u>32,151</u>	<u>42,048</u>	<u>47,448</u>	<u>-</u>	<u>47,448</u>
At 1 April 2007	5,400	9,536	(122)	2,626	38,177	50,217	55,617	-	55,617
Translation difference	-	-	-	1,834	-	1,834	1,834	-	1,834
Net income recognised directly in equity	-	-	-	1,834	-	1,834	1,834	-	1,834
Profit for the period	-	-	-	-	9,450	9,450	9,450	(161)	9,289
Total recognised income and expense for the period	-	-	-	1,834	9,450	11,284	11,284	(161)	11,123
Minority interests	-	-	-	-	-	-	-	4,677	4,677
At 30 September 2007	<u>5,400</u>	<u>9,536</u>	<u>(122)</u>	<u>4,460</u>	<u>47,627</u>	<u>61,501</u>	<u>66,901</u>	<u>4,516</u>	<u>71,417</u>

06 | NOTES TO THE FINANCIAL STATEMENTS

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 before 1 November 2007 is 3/F., Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong. The principal place of business has been changed to Unit 203, 2/F, Block B, Sea View Estate, 2-8 Watson Road, North Point, Hong Kong with effect from 1 November 2007. 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 six months ended 30 September 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 six months ended 30 September 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 | 07

4. Business combination

(a) Subscription of new shares in Global On-Line Distribution Limited

In July 2007, the Group has subscribed for 5,100 new shares in Global On-Line Distribution Limited ("Global On-Line") representing 51% of the entire issued share capital 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. The subscription of new shares in Global On-Line has been completed on 3 July 2007.

The fair values of the identifiable assets and liabilities of Global On-Line as at the date of completion of share subscription were as follows:

	<i>HK\$'000</i>
<hr/>	
Net assets acquired:	
Fixed assets	12
Inventories	32
Trade and bills receivables	43
Deposits, prepayments and other receivables	8
Bank and cash balances	2,064
Other payables and accruals	(2,147)
	<hr/>
	12
	<hr/>
Share of net assets acquired (51%)	6
Negative goodwill	(1)
	<hr/>
Total consideration, satisfied by cash	5
	<hr/>
Net cash inflow arising on acquisition:	
Bank balance and cash acquired	2,064
	<hr/>

Global On-Line is principally engaged in online distribution business of office supplies and equipments. The acquired business contributed revenues of approximately HK\$0.4 million and net profit of approximately HK\$20,000 to the Group for the period from 4 July 2007 to 30 September 2007.

08 | NOTES TO THE FINANCIAL STATEMENTS**(b) Subscription of new shares in Long Capital Development Limited**

In July 2007, the Group has subscribed for 5,100 new shares in Long Capital Development Limited ("Long Capital") representing 51% of the entire issued share 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"). The subscription of new shares in Long Capital has been completed on 24 July 2007.

The fair values of the identifiable assets and liabilities of Long Capital as at the date of completion of share subscription were as follows:

	<i>HK\$'000</i>
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Net assets acquired:	
Fixed assets	2,398
Intangible assets	5,134
Inventories	273
Trade and bills receivables	931
Deposits, prepayments and other receivables	3,095
Amounts due from related companies	9,000
Bank and cash balances	3,373
Trade and bills payables	(1,728)
Other payables and accruals	(7,252)
Sales deposits received	(4,563)
Short term borrowings	(1,128)
	<hr/>
	9,533
	<hr/>
Share of net assets acquired (51%)	4,862
Goodwill	5,138
	<hr/>
Total consideration, satisfied by cash	10,000
	<hr/>
Net cash inflow arising on acquisition:	
Bank balance and cash acquired	3,373
Bank overdrafts	(1,128)
	<hr/>
	2,245
	<hr/>

Challenger is principally engaged in auto repairing and detailing services. The acquired business contributed revenues of approximately HK\$8.5 million and net loss of approximately HK\$0.4 million to the Group for the period from 25 July 2007 to 30 September 2007.

NOTES TO THE FINANCIAL STATEMENTS | 09

5. Turnover

The Group is principally engaged in the manufacturing and sales of office furniture and auto repairing and detailing services.

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

	Unaudited Three months ended 30 September				Unaudited Six months ended 30 September			
	2007		2006		2007		2006	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	34,776	28	27,419	35	61,633	28	48,424	32
The PRC	63,444	50	34,665	45	112,810	52	72,854	49
Overseas	28,052	22	15,770	20	43,230	20	28,305	19
Total	<u>126,272</u>	<u>100</u>	<u>77,854</u>	<u>100</u>	<u>217,673</u>	<u>100</u>	<u>149,583</u>	<u>100</u>

6. Income tax expense

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax				
– provisions for the period	(5)	–	(5)	–
– overprovision in prior years	–	–	69	–
	<u>(5)</u>	<u>–</u>	<u>64</u>	<u>–</u>

Hong Kong profits tax is provided at 17.5% based on the assessable profit for the period less allowable losses brought forward. Certain allowable losses of the subsidiaries of the Company incorporated in Hong Kong are yet to be agreed by the Inland Revenue Department.

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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.

7. Profit for the period

The Group's profit for the period is stated after charging the following:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Amortisation of intangible assets (included in administrative and other operating expenses)	9	16	18	16
Auditors' remuneration	157	153	309	320
Cost of inventories sold before allowance	66,115	40,226	114,784	76,037
Allowance of obsolete inventories	458	—	560	—
	66,573	40,226	115,344	76,037
Depreciation	1,118	668	1,983	1,354
Loss on disposal of fixed assets	12	—	14	—
Negative goodwill (included in administrative and other operating expenses)	(1)	—	(1)	—
Operating lease rentals in respect of land and buildings	4,603	1,806	6,602	3,489
Staff costs (including directors' emoluments) Basic salaries, bonuses, allowances and benefits in kind	14,849	10,470	26,870	20,800
Retirement benefits scheme contributions	1,089	733	1,839	1,363
Allowance for doubtful debts	930	225	1,307	225
Net exchange losses	744	322	1,577	534
	<u>744</u>	<u>322</u>	<u>1,577</u>	<u>534</u>

NOTES TO THE FINANCIAL STATEMENTS | 11

8. Dividends

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

9. Earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the six months ended 30 September 2007 attributable to equity holders of the Company of HK\$9.5 million (2006: HK\$9.8 million) and on the weighted average number of ordinary shares of 540,000,000 (2006: 540,000,000) in issue during the six months ended 30 September 2007.

No diluted earnings per share have been presented as the Company did not have any diluted potential ordinary shares during the six months ended 30 September 2007.

10. Trade and bills receivables

The credit terms of trade and bills receivables are in accordance with specific payment schedules agreed with various customers. The aging analysis of trade and bills receivables, based on the invoice date, and net of allowance, is as follows:

	Unaudited as at 30 September 2007 HK\$'000	Audited as at 31 March 2007 HK\$'000
0 – 30 days	36,230	22,490
31 – 60 days	23,570	6,276
61 – 90 days	8,346	4,258
Over 90 days	23,400	20,461
Less: Allowance for doubtful debts	(4,763)	(3,477)
Trade and bills receivables, net	<u>86,783</u>	<u>50,008</u>

12 | NOTES TO THE FINANCIAL STATEMENTS**11. Trade and bills payables**

The credit terms of trade and bills payables varies according to the terms agreed with different suppliers. The aging analysis of trade and bills payables, based on the date of receipt of goods or date of invoice, is as follows:

	Unaudited as at 30 September 2007 HK\$'000	Audited as at 31 March 2007 HK\$'000
0 – 30 days	36,820	21,317
31 – 60 days	16,459	8,198
61 – 90 days	12,518	5,748
Over 90 days	13,453	4,194
	<u>79,250</u>	<u>39,457</u>

12. Share capital

	Unaudited as at 30 September 2007 HK\$'000	Audited as at 31 March 2007 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
540,000,000 ordinary shares of HK\$0.01 each	<u>5,400</u>	<u>5,400</u>

NOTES TO THE FINANCIAL STATEMENTS | 13

13. Contingent liabilities

A subsidiary of the Group is currently a co-defendant with a driver, who is previously employed by 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 September 2007 (as at 31 March 2007: HK\$Nil).

14. Capital commitments

As at 30 September 2007, the Group had no material capital commitments (as at 31 March 2007: HK\$Nil).

15. Lease commitments

The Group had the following outstanding lease commitments under non-cancellable operating leases in respect of land and buildings, office and factory premises, payable as follows:

	Unaudited as at 30 September 2007 HK\$'000	Audited as at 31 March 2007 HK\$'000
Within one year	16,484	7,565
In the second to fifth years inclusive	<u>6,426</u>	<u>7,451</u>
	<u>22,910</u>	<u>15,016</u>

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16. Event after the balance sheet date

On 20 August 2007, the Company entered into a sales and purchase agreement with Steelcase Inc. (the “Guarantor”) and Steelcase Asia Pacific Holdings LLC (the “Purchaser”), which is a wholly-owned affiliate of the Guarantor, for the disposal of the entire issued share capital of Ultra Group Company Limited (the “UGCL”), a wholly-owned subsidiary of the Company, for a cash consideration of US\$13.28 million (approximately HK\$103,584,000) subject to Financial Adjustments (as defined in the Company’s circular dated 28 September 2007). The disposal was approved by the shareholders of the Company at an extraordinary general meeting held on 16 October 2007 and was completed on 31 October 2007. The financial effects of the disposal is not yet available as the management accounts of the UGCL up to the closing date has not been completed as at the date of this report.

17. Segmental information

Sale of office furniture, auto repairing and detailing services are the major business segment of the Group. During the six months ended 30 September 2007, the majority of revenue of the Group is earned from sales of office furniture. The revenue, results and assets of auto repairing and detailing services business are less than 10 percent of the Group’s total revenue, combined results and the total assets of all segments respectively. Accordingly no further business segment information is provided.

In determining the Group’s geographical segments, the Group’s revenue and results for the year and segment assets and liabilities are attributable to the segments based on the location of customers.

NOTES TO THE FINANCIAL STATEMENTS | 15

Geographical segments

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

For the six months ended 30 September 2007

	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>61,633</u>	<u>112,810</u>	<u>43,230</u>	<u>217,673</u>
Results				
Segment results	<u>1,067</u>	<u>16,907</u>	<u>3,036</u>	21,010
Unallocated corporate expenses				(12,268)
Other income (excluding interest income)				<u>332</u>
Operating profit				9,074
Finance costs				(259)
Interest income				<u>410</u>
Profit before tax				9,225
Income tax expense				<u>64</u>
Profit for the period				<u>9,289</u>

16 | NOTES TO THE FINANCIAL STATEMENTS

At 30 September 2007

	Hong Kong HK\$'000	The PRC HK\$'000	Overseas HK\$'000	Unallocated HK\$'000	Total HK\$'000
Assets					
Segment assets	<u>49,270</u>	<u>56,751</u>	<u>16,398</u>	<u>79,045</u>	<u>201,464</u>
Liabilities					
Segment liabilities	<u>28,242</u>	<u>15,370</u>	<u>16,647</u>	<u>69,788</u>	<u>130,047</u>
Other Information					
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,307</u>	<u>2,307</u>
Depreciation and amortisation	<u>702</u>	<u>488</u>	<u>-</u>	<u>811</u>	<u>2,001</u>
Allowance for doubtful debts	<u>290</u>	<u>1,252</u>	<u>(235)</u>	<u>-</u>	<u>1,307</u>

NOTES TO THE FINANCIAL STATEMENTS | 17

For the six months ended 30 September 2006

	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>48,424</u>	<u>72,854</u>	<u>28,305</u>	<u>149,583</u>
Results				
Segment results	<u>2,521</u>	<u>9,996</u>	<u>8,844</u>	21,361
Unallocated corporate expenses				(11,925)
Other income (excluding interest income)				<u>441</u>
Operating profit				9,877
Finance costs				(347)
Interest income				<u>318</u>
Profit before tax				9,848
Income tax expense				<u>—</u>
Profit for the period				<u>9,848</u>

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At 31 March 2007

	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	<u>17,838</u>	<u>40,876</u>	<u>7,971</u>	<u>76,483</u>	<u>143,168</u>
Liabilities					
Segment liabilities	<u>8,152</u>	<u>11,391</u>	<u>10,538</u>	<u>57,470</u>	<u>87,551</u>
Other Information					
Capital expenditure	<u>615</u>	<u>2,221</u>	<u>–</u>	<u>4,884</u>	<u>7,720</u>
Depreciation and amortisation	<u>269</u>	<u>896</u>	<u>–</u>	<u>1,456</u>	<u>2,621</u>
Allowance for doubtful debts	<u>810</u>	<u>69</u>	<u>480</u>	<u>–</u>	<u>1,359</u>

Business Review and Outlook

During the six months ended 30 September 2007 under review, the Group's furniture business has grown steadily in line with the general positive trend of the global economy. The integration and revision of the Group's system furniture was completed and was launched to the market with the brand name of "systemONE", an ultimate office solution. The product launch is a result of the Group's efforts on product development and enhancement. However, the business environment of office furniture industry remains difficult and severe competition exists with lower profit margin. The Company has been contemplating various corporate exercises involving the acquisitions of new businesses and the disposal of its office furniture business.

Acquisitions of new businesses

On 18 June 2007, the Company announced that it has entered into a share subscription agreement, pursuant to which the Company agreed to 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 equipment 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 agreed 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 ("Challenger") which is principally engaged in auto servicing businesses. Details of the acquisitions of new businesses are set out in the announcements of the Company dated 18 June 2007 and 13 July 2007 respectively.

Disposal of office furniture business

As mentioned in the announcement of the Company dated 14 September 2007, the Company has entered into the sale and purchase agreement on 20 August 2007 to sell the entire issued share capital of Ultra Group Company Limited to Steelcase Asia Pacific Holdings LLC (the "Disposal"). Upon the completion of the Disposal on 31 October 2007, the Group has discontinued its operations in respect of the design, manufacture and sale of office furniture whereas auto servicing businesses under the brand name "CHALLENGER" and the business of on-line distribution of office supplies represent the only businesses of the Group thereafter.

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Details of Challenger

Challenger has a team of professional and skilled technicians. Cutting edge facilities and equipment used by Challenger are of international standard. Challenger's portfolio was extended to offer auto express lubrication service, auto repairing service and 24-hour towing service. Other services include car re-spray/touch-up service, annual inspection and CTC service, computerized collision repair and measuring service and computerized engine diagnosis service. Challenger also provides comprehensive auto detailing and protection services, including car wash service, premium waxing service, carpet and sofa steaming treatment, car compartment cleaning and vacuuming service, "System-Plus" formula 3 coating paint sealant service and unrivalled air-purifying service. The Company's mission is to be a One-Stop-Shop for car lovers, providing excellent quality service.

With the spirit of Challenger, the Group strives for the best through constant upgrade of the level of customer service and product offerings to meet with the ever-changing needs in the market. Professionalism, advanced technology, friendly services and premium products are the four corner stones of Challenger.

During the past three months, Challenger is recognized for its superb service and was named a Super Car Repairing and Detailing Service Provider in Hong Kong by Car Plus magazine in August 2007.

Challenger continued to operate the 22 local car beautification centers which are mainly situated inside prime shopping malls in Hong Kong, including but not limited to, Pacific Place, Taikoo Shing City Plaza, Hong Kong Convention and Exhibition Centre, New World Centre, Whampoa Garden, Festival Walk, Grand Central Plaza, Maritime Square, City Gate. Further, currently the Group has three auto repairing centers, which are located at Chai Wan, Kwun Tong and Kwai Chung with top of the line equipment. They provide full capacity in full line auto services, from engine to body work, from routine service check to lubrication, from engine diagnostic report to four wheel alignment, from body painting to color changes.

In Hong Kong, a new car beautification center in New World Center and Mega Box have been opened in October 2007 and a new service called "Smart Service" was launched as well. "Smart Service" comprises conventional car wash services, professional car detailing services and other auto related services, such as auto safety check-up services, lubrication services, etc. In order to retain existing customers and attract new customers, Challenger will continue to adopt its 100% 'customer satisfaction' philosophy by providing convenience, quality service loyalty programs and attractive promotions to our valuable customers.

In the rapid growth of demands for high-quality auto detailing and repairing services in the Mainland China, the Company is seeking strategic partners who have the capability and experience in the Mainland China to make a valuable contribution to the business expansion of Challenger, in particular, the All-in-one Shop for auto service concept to the Mainland China. Challenger is looking forward to entering into a long-term exclusive and mutually rewarding business relationship with the right potential business partners.

Financial Review

The Group's turnover for the three months and six months ended 30 September 2007 were approximately HK\$126.3 million and HK\$217.7 million respectively, representing an increase of approximately 62.2% and 45.5% as compared to the turnover of approximately HK\$77.9 million and HK\$149.6 million for same periods ended 30 September 2006.

Gross profit of the Group for the three months and six months ended 30 September 2007 were approximately HK\$38.1 million and HK\$66.9 million respectively. Gross profit margin for the three months and six months ended 30 September 2007 were decreased to approximately 30.2% and 30.7% as compared to approximately 33.1% and 33.7% for the same periods 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 and six months ended 30 September 2007, the total operating expenses were increased by approximately 62.9% and 41.3% respectively as compared that of the same periods last year. The percentage of total expenses to sales for the three months and six months ended 30 September 2007 were approximately 27.2% and 26.8% respectively, which were close to 27.1% and 27.6% for the corresponding periods of last year. The increase in expenses was due to the increase in turnover and the inclusion of operating expenses of the new business.

The Group recorded a net profit attributable to equity holders of approximately HK\$4.3 million and HK\$9.5 million for the three months and six months ended 30 September 2007 respectively. The Group's net profit was decreased by approximately 13.2% and 4.0% as compared to the net profit of approximately HK\$5.0 million and HK\$9.8 million for same periods last year.

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Liquidity and Financial Resource

As at 30 September 2007, the Group had bank and cash balances of approximately HK\$45.4 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\$3.7 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 0.65 as at 30 September 2007 (as at 31 March 2007: 0.61).

Capital Structure

There has been no change in the capital structure of the Company for the six months ended 30 September 2007. During the six months ended 30 September 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 September 2007 was approximately HK\$66.9 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 September 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.

Human Resources

As at 30 September 2007, the Group had approximately 850 (as at 31 March 2007: 900) employees in the PRC and approximately 260 (as at 31 March 2007: 119) staff in Hong Kong. The Group continues to employ, promote and reward its staff with reference to their performance and experience. The Group also consistently adopts a policy of human resources enrichment, and provides training programme to its employees. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality.

The total staff costs, including Directors' emoluments, amounted to approximately HK\$28.7 million (2006: HK\$22.2 million) for the six months ended 30 September 2007.

Contingent Liabilities

A subsidiary of the Group is currently a co-defendant with a driver, who is an previously employed by 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 September 2007 (as at 31 March 2007: HK\$Nil).

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

As at 30 September 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 5.46 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 & 4	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.
4. Ms. Cho Yuen Yi, Wendy has resigned as the Chairman and an executive Director with effect from 1 November 2007.

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 5.46 to 5.67 of the GEM Listing Rules as at 30 September 2007.

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

As at 30 September 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%
Excel Formation Limited	Beneficial owner	60,944,000 (Long position)	3	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. 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 September 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.

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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 interim results for the six months ended 30 September 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 six months ended 30 September 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Shares during the six months ended 30 September 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 5.46 to 5.67 of the GEM Listing Rules throughout the six months ended 30 September 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.

8. Code on Corporate Governance Practice

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 September 2007, except the Code Provision A.2.1.

The Code Provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

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During the six months ended 30 September 2007, Ms. Cho Yuen Yi, Wendy (“Ms. Cho”) was 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 business network in the industry, thus enabling the Group to make and 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, which comprises experienced and high calibre individuals, meets regularly to discuss issues in connection with the operations of the Group.

By order of the Board
Tse Chun Sing
Chairman

Hong Kong, 12 November 2007

As at the date of this report, the executive Directors of the Company are Mr. Tse Chun Sing 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.