THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is for your information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ultra Group Holdings Limited, you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

(Stock Code: 8203)

VERY SUBSTANTIAL DISPOSAL TRANSACTION

A letter from the board of directors of the Company is set out on pages 5 to 17 of this circular.

A notice convening the extraordinary general meeting of the Company (the "EGM") to be held at 3rd Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong on Tuesday, 16 October 2007 at 11:00 a.m. is set out on pages 70 to 71 of this circular. Whether or not you are able to attend the meeting in person, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 1806 & 1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the EGM should you so wish.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcement" page for at least seven days from its date of its posting.

28 September 2007

CHARACTERISTICS OF GEM

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 trading 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.

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Articles"	the Articles of Association of the Company
"Board"	the board of directors of the Company or an authorised committee of the Board
"Business"	the business of designing, manufacturing and selling office furniture and related products and services carried on by the UGCL Group primarily in Hong Kong and the PRC, but also in other Asian countries including but not limited to Philippines, Taiwan, India, Singapore and Thailand
"Business Day"	a day other than a Saturday or Sunday or public holiday in Hong Kong on which banks are open in Hong Kong for general commercial business
"Challenger"	Challenger Auto Services Limited
"Closing"	completion of the sale and purchase of the Sale Shares in accordance with the provisions of the Sale and Purchase Agreement
"Closing Balance Sheet"	a draft statement showing the consolidated assets and liabilities (current, long-term and total) of UGCL Group as of the Closing Date after establishing appropriate reserves including but not limited to reserves in relations to accounts receivable and inventories (The reserves are generally referred to provisions and accruals which will be in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong utilising appropriate accounting policies selected and applied on a consistent basis.) The Closing Balance Sheet shall be finalised and agreed by both the Seller and Purchaser.
"Closing Date"	on the third Business Day after the Unconditional Date
"Closing Net Assets"	the aggregate value of all the assets less the aggregate value of all the liabilities of each member of the UGCL Group as shown in the Closing Balance Sheet

"Closing Net Cash"	the aggregate value of cash less (i) the aggregate value of all borrowings and other indebtedness by way of bank loans, overdraft, loan stocks, bonds, debentures, notes, debt or inventory financing, finance leases or sale and lease back arrangements or any other forms of short-term and long-term indebtedness payable by any member of the UGCL Group to banks or other financial institutions, (ii) all inter-company non-trading payables, and (iii) inter-company trading debt owed by any member of the UGCL Group to the Remaining Group, all as shown in the Closing Balance Sheet
"Company"	Ultra Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on GEM
"Directors"	the directors of the Company
"Disposal"	the disposal of the Sale Shares by the Company to the Purchaser in accordance with the Sale and Purchase Agreement
"EGM"	an extraordinary general meeting of the Company to be convened for the Shareholders to consider and approve the Sale and Purchase Agreement and the transactions contemplated thereunder
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Global On-Line"	Global On-Line Distribution Limited
"Group"	the Company and its subsidiaries
"Guarantor"	STEELCASE INC., (NYSE:SCS) a company incorporated in the United States with limited liability, which is a global office environments manufacturer
"HK$"	Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Intellectual Property Rights"	patents, trade marks, service marks, logos, get-up, trade names, internet domain names, rights in designs, copyright (including rights in computer software) and moral rights, database rights, utility models, rights in know-how and other intellectual property rights, in each case whether registered or unregistered, and all rights or forms of protection having equivalent or similar effect anywhere in the world and registered includes registrations and applications for registration
"Latest Practicable Date"	25 September 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Long Capital"	Long Capital Development Limited
"Ms. Cho"	Ms. Cho Yuen Yi, Wendy, an executive Director and the Chairman of the Company
"Ms. Wong"	Ms. Wong Ching Ngor, an executive Director
"Net Assets Deficiency"	the shortfall of the Closing Net Assets under US$4.8 million (approximately HK$37,440,000)
"Net Assets Excess"	the excess of the Closing Net Assets over US$4.8 million (approximately HK$37,440,000)
"Net Cash Deficiency"	the shortfall of the Closing Net Cash under US$2.5 million (approximately HK$19,500,000)
"PRC"	Mainland China (excluding Hong Kong, the Macau Special Administrative Region and Taiwan, for the purposes of the Sale and Purchase Agreement)
"Purchase Price"	the consideration of US$13.28 million (approximately HK$103,584,000) subject to the Financial Adjustments
"Purchaser"	STEELCASE ASIA PACIFIC HOLDINGS LLC, a company formed in the United States with limited liability, which is a wholly-owned affiliate of the Guarantor
"Remaining Group"	the Company and its subsidiaries other than members of the UGCL Group
"Sale and Purchase Agreement"	the sale and purchase agreement dated 20 August 2007 entered into between the Company, the Purchaser and the Guarantor (as supplemented by the amendment agreement dated 14 September 2007) in respect of the Disposal

"Sale Shares"	the 10,000 issued shares of US$1.00 each in the share capital of UGCL legally and beneficially owned by the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Shareholders"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"UGCL"	Ultra Group Company Limited, a wholly owned subsidiary of the Company
"UGCL Group"	UGCL and its subsidiaries
"Unconditional Date"	the first Business Day in Hong Kong on or by which all conditions to closing under the Sale and Purchase Agreement have been fulfilled or waived
"US$"	United States dollars
"%"	Percentage

For the purpose of this circular, unless otherwise stated all amounts in US$ are translated into HK$ at an exchange rate of US$1: HK$7.8.

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8203)

Executive Directors:
Ms. Cho Yuen Yi, Wendy *(Chairman)*
Ms. Wong Ching Ngor
Mr. Wu Kam Hung
Mr. Tse Chun Sing

Independent Non-executive Directors:
Mr. Liew Swee Yean
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business:
3rd Floor, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

28 September 2007

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL TRANSACTION

INTRODUCTION

On 14 September 2007, the Board announced that on 20 August 2007, the Company as seller, the Purchaser and the Guarantor entered into the Sale and Purchase Agreement (as supplemented by the amendment agreement dated 14 September 2007), pursuant to which the Company has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, being the entire issued share capital of UGCL for a cash consideration of US$13.28 million (approximately HK$103,584,000) subject to Financial Adjustments (as defined herein).

As the applicable percentage ratio for the Disposal under the GEM Listing Rules is more than 75%, the Disposal constitutes a very substantial disposal transaction for the Company under Rule 19.08 of the GEM Listing Rules and must be made conditional on approval by the Shareholders. As Ms. Cho will resign as executive Director and Chairman of the Company and will become an employee of the Purchaser, she has a material interest in the Disposal. As at the Latest Practicable Date, Huge Mars

International Limited and Excel Formation Limited are interested in 22,882,500 Shares and 60,944,000 Shares respectively. As Ms. Cho is the beneficial owner of the entire issued capital of both Huge Mars International Limited and Excel Formation Limited, she is deemed under the SFO to be interested in an aggregate of 83,826,500 Shares, representing approximately 15.52% of the issued share capital of the Company. Huge Mars International Limited, Excel Formation Limited, Ms. Cho and their associates will abstain from voting on the resolution to approve the Disposal at the EGM and the resolution is subject to the approval of the Shareholders other than Huge Mars International Limited, Excel Formation Limited, Ms. Cho and their associates at the EGM by poll. The purpose of this circular is to provide the Shareholders with further information of the Disposal and the notice of the EGM at which the necessary resolution will be proposed to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

THE SALE AND PURCHASE AGREEMENT DATED 20 AUGUST 2007 (AS SUPPLEMENTED BY THE AMENDMENT AGREEMENT DATED 14 SEPTEMBER 2007)

Parties

Seller:	ULTRA GROUP HOLDINGS LIMITED, a company incorporated in the Cayman Islands with limited liability, the shares of which are currently listed on and dealt in GEM
Purchaser:	STEELCASE ASIA PACIFIC HOLDINGS LLC, a company formed in the United States with limited liability, which is a wholly-owned affiliate of the Guarantor, its principal business being that of an investment holding company
Guarantor:	STEELCASE INC., (NYSE:SCS) a company incorporated in the United States with limited liability, which is a global office environments manufacturer

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, the Guarantor and their respective ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the GEM Listing Rules) of the Company.

Assets to be disposed

Sale Shares:	the 10,000 issued shares of US$1.00 each in the share capital of UGCL legally and beneficially owned by the Company, being the entire issued share capital of UGCL

Consideration

The Purchase Price of US$13.28 million (approximately HK$103,584,000) subject to the Financial Adjustments (defined below) was arrived at after arm's length negotiations between the Company and the Purchaser and also represents a premium of approximately 1.36 times over the unaudited net asset value of UGCL Group of approximately HK$43,981,000 as at 31 March 2007.

At Closing, the Purchaser shall pay in cash:

(a) to the Company, the amount of US$12.28 million (approximately HK$95,784,000) (the "Initial Price"); and

(b) to an escrow agent the amount of US$1 million (approximately HK$7,800,000) which shall be for the satisfaction of any claims by the Purchaser in respect of any breach of the Sale and Purchase Agreement by the Company, including but not limited to any breach of any obligation of the Company under the Sale and Purchase Agreement, and any funds remaining in the escrow account on the fourth anniversary of the Closing Date shall be released by the escrow agent to the Company in accordance with joint written instructions issued to the escrow agent by the Purchaser and the Company.

Financial Adjustments

When the Closing Balance Sheet has been finally agreed or determined, the following adjustments shall be made to the Purchase Price:

(a) If the Closing Net Assets are greater than US$4.8 million (approximately HK$37,440,000) and the Closing Net Cash is more than US$2.5 million (approximately HK$19,500,000), then the Purchaser shall pay an amount equal to the Net Assets Excess to the Company.

(b) If the Closing Net Assets are less than US$4.8 million (approximately HK$37,440,000) and the Closing Net Cash is less than US$2.5 million (approximately HK$19,500,000), then the Company shall pay to the Purchaser an amount equal to the greater of the Net Assets Deficiency or the Net Cash Deficiency.

(c) In the event that the Closing Net Assets are greater than US$4.8 million (approximately HK$37,440,000) but the Closing Net Cash is less than US$2.5 million (approximately HK$19,500,000), and that the Net Assets Excess less the Net Cash Deficiency (in absolute amount) results in:

    (i) an excess, the Purchaser shall pay the Company the amount of such excess; or

    (ii) a deficiency, the Company shall pay the Purchaser the amount of such deficiency.

(d) In the event that the Closing Net Assets are less than US$4.8 million (approximately HK$37,440,000) but the Closing Net Cash is more than US$2.5 million (approximately HK$19,500,000), the Company shall pay to the Purchaser the Net Assets Deficiency.

Any payment required to be made pursuant to the Financial Adjustments shall be paid by the Company or the Purchaser (as the case may be) together with an amount equal to interest on such payment at The Hongkong and Shanghai Banking Corporation best lending rate as at the Closing Date for the period from (but excluding) the Closing Date to (and including) the due date for payment pursuant to the relevant clause, calculated on a daily basis.

The Purchaser shall deliver the draft Closing Balance Sheet to the Company within sixty (60) days after Closing. Any payments required to be made under the Financial Adjustments shall be paid within thirty (30) days after the finalisation of the Closing Balance Sheet and treated as adjusting the Purchase Price, thus resulting after such adjustment in the final Purchase Price.

Based on the unaudited balance sheet of UGCL Group as at 31 March 2007, assuming that the Closing Net Assets would be the unaudited net asset value of UGCL Group as at 31 March 2007 of approximately HK$43,981,000 (approximately US$5,639,000) and the Closing Net Cash would be the net cash balance as at 31 March 2007 of approximately HK$25,558,000 (approximately US$3,277,000), it is expected that the Purchaser shall pay the Financial Adjustments which is equal to the Net Assets Excess of approximately HK$6,541,000 (approximately US$839,000) to the Company. Accordingly, the final consideration will be the sum of the consideration of US$13.28 million (approximately HK$103,584,000) and the Net Assets Excess of approximately HK$6,541,000 (approximately US$839,000) which represents a premium of approximately 1.5 times over the unaudited net asset value of UGCL Group of approximately HK$43,981,000 as at 31 March 2007. The final consideration of the Sale Shares will be subject to the Closing Balance Sheet.

Conditions Precedent and Completion

Closing shall be conditional on the following conditions having been fulfilled or waived in accordance with the Sale and Purchase Agreement:

(a) the Shareholders having approved in the EGM the sale of the Sale Shares to the Purchaser pursuant to the Sale and Purchase Agreement;

(b) consents to the substitution of the Company by the Guarantor as guarantor having been obtained from the Hong Kong branches of the relevant banks (the "Relevant Banks") to which the Company has, as at the date of the Sale and Purchase Agreement, outstanding guarantees provided to support the banking or trading facilities of the UGCL Group (the "Relevant Facilities") (provided that the Purchaser or the Guarantor has provided satisfactory assistance to the Company in a timely manner in its discussions with the Relevant Banks and that the Purchaser or the Guarantor, as the case may be, shall have provided in a timely manner the replacement guarantees in respect of the Relevant Facilities satisfactory to the Relevant Banks); and

(c) all licences, distribution agreements, the registered and material unregistered Intellectual Property Rights owned by the UGCL Group and all other registered and material unregistered Intellectual Property Rights used by the UGCL Group in relation to the office furniture business of the Group held by the Group as at the Closing Date having been assigned, transferred or novated, as appropriate, to the UGCL Group.

The above conditions (b) and (c) may be waived by written notice from the Purchaser to the Company. If the Unconditional Date has not occurred on or before 31 October 2007 (as agreed by the parties in writing) or such later date as the parties may agree in writing, the Sale and Purchase Agreement shall automatically terminate (other than the surviving provisions). In such event, neither party (or any of its affiliates) shall have any claim under the Sale and Purchase Agreement of any nature against any other party (or any of its affiliates) except in respect of any rights and liabilities which have accrued before termination or under any of the surviving provisions.

At or before Closing, the Company shall procure the execution and delivery of the employment contracts of members of the UGCL Group executed by each of the key employees of the Company including Ms. Cho and Ms. Wong required by the Sale and Purchase Agreement.

At or before Closing, the Company shall deliver or ensure that there is delivered to the Purchaser (or made available to the Purchaser's satisfaction) (i) letters of resignation duly executed by such directors of members of the UGCL Group, including Ms. Cho and Ms. Wong, as the Purchaser may notify to the Company prior to Closing in respect of their directorships of the UGCL Group; (ii) a letter of resignation duly executed by Ms. Wong in respect of her directorship of the Company; and (iii) a letter of resignation duly executed by Ms. Cho in respect of her directorship of the Company.

Currently, Ms. Cho and Ms. Wong are directors of the members of the UGCL Group and executive Directors and employees of the Company. Ms. Cho is also the Chairman of the Company. As the Purchaser intends to maintain the smooth operation of the UGCL Group after Closing, the Purchaser will hire the key employees of the members of the UGCL Group including but not limited to Ms. Cho and Ms. Wong after Closing. As such, at or before Closing, each of Ms. Cho and Ms. Wong will resign as executive Director and each of Ms. Cho and Ms. Wong will execute an employment contract with a subsidiary of the UGCL Group and Ms. Cho and Ms. Wong will become employees of the Purchaser upon Closing. Ms. Cho will also resign as the Chairman of the Company at or before Closing. Upon Closing, it is expected that the Remaining Group will continue to have about 140 employees, being employees of the Company, Global On-Line, Long Capital and Challenger.

After the resignation of Ms. Cho and Ms. Wong as executive Directors at or before Closing, the Board will still comprise two executive Directors, namely Mr. Wu Kam Hung and Mr. Tse Chun Sing who has been appointed as an executive Director with effect from 14 September 2007, details of his biography are set out in the announcement of the Company dated 28 August 2007. Global On-Line is managed and led by an experienced team running the on-line business for years. In addition, the management team of Challenger consists with broad backgrounds in marketing and sales, distribution, corporate finance and accounting, investment management, membership management, logistic and delivery and media/advertising/promotion. The managing director of Challenger has over 30 years of experience in the car servicing industry. He is the Chairman of Hong Kong Vehicle Repair Merchants Association, Chairman of Automobile Training Board of the Vocational Training Council, Chairman of The Institute of Road Transport Engineers Hong Kong, Vice Chairman of Society of Automotive Eng. Inc. (Hong Kong Group). He also served as committee member of Motor Industry Training Advisory Committees (MITACs) of Education and Manpower Bureau HKSAR, Transport & Physical Distribution Industry Safety and Health Committee of Occupational Safety & Health Council. As such, the Directors consider that there will be sufficient management and expertise to operate the Remaining Group after Closing.

Undertakings

The Company hereby agrees and undertakes in favour of the Purchaser and its affiliates that it shall not and shall procure that none of its Remaining Group shall (whether alone or jointly with another and whether directly or indirectly), for the period of four (4) years after the Closing Date:

(a) carry on or be engaged or concerned or interested economically or otherwise in any manner in any business in competition with the Business; or

(b) offer to employ or seek to entice away from any member of the UGCL Group or any member of the Purchaser and its affiliates, or conclude any contract for services with, any person who was employed by any member of the UGCL Group at any time during the twelve (12) months ending on the Closing Date including but not limited to the key employees.

The Company hereby agrees and undertakes that it shall procure as soon as practicable after Closing and in any event within ninety (90) days thereof that neither it nor any of its group companies shall (whether alone, jointly with another, directly or indirectly), use or display any trademark, corporate or business name or mark, domain name or any website containing (i) the word(s) "Ultra" and/or "歐美" or (ii) any business or trade name used exclusively by the members of the UGCL Group at the Closing Date or (iii) any other word(s) closely resembling any such word(s) or business or trade name(s). A separate meeting of the Company shall be convened to approve the resolution in respect of the change of name of the Company. A further announcement will be made by the Company in due course.

INFORMATION ON UGCL

UGCL is a company incorporated in the British Virgin Islands on 6 December 2000. As at the Latest Practicable Date of this announcement, UGCL has an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which 10,000 shares of UGCL were issued and allotted and are fully paid and owned by the Company. The UGCL Group is principally engaged in sale of office furniture primarily in Hong Kong and the PRC, but also in other Asian countries. At the time of the listing of the Company in January 2004, the business being engaged by the Company was UGCL.

Based on the unaudited consolidated financial statement of UGCL Group for the year ended 31 March 2006, the unaudited profit before and after taxation was approximately HK$21,936,000 and HK$21,912,000 respectively. Based on the unaudited consolidated financial statement of UGCL Group for the year ended 31 March 2007, the unaudited profit before and after taxation was approximately HK$16,726,000 and HK$16,657,000 respectively. The profit generated from the UGCL Group for the year ended 31 March 2007 represented the profit of the Group for the year ended 31 March 2007 before accounted for the expenses of the Company. Based on the unaudited consolidated balance sheet of UGCL Group as at 31 March 2007, the net asset value of UGCL Group as at 31 March 2007 was approximately HK$43,981,000. All the financial statements of UGCL Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards.

INFORMATION ON STEELCASE INC.

STEELCASE INC., the global leader in the office furniture industry, helps people have a better work experience by providing products, services and insights into the ways people work. STEELCASE INC. designs and manufactures architecture, furniture and technology products. Founded in 1912 and headquartered in Grand Rapids, Michigan, STEELCASE INC. (NYSE:SCS) serves customers through approximately 13,000 employees and dealers at over 550 locations worldwide. Fiscal 2007 revenue was US$3.1 billion. Learn more at www.steelcase.com.

REASONS FOR THE DISPOSAL

Following completion of both subscriptions of new shares in Global On-Line and Long Capital in July 2007, the Group will be principally engaged in the business of designing, manufacturing and selling office furniture and related products and services primarily in Hong Kong, the PRC and also in other Asian countries (until such time as the Disposal is completed); the business of on-line distribution of office supplies and equipments; and auto servicing businesses under its own brand name "CHALLENGER". Upon Closing, the Group will discontinue its operations in respect of the design, manufacture and sale of office furniture and related products and services primarily in Hong Kong, the PRC. Auto servicing businesses under its own brand name "CHALLENGER" and the business of on-line distribution of office supplies and equipments will represent the core businesses of the Remaining Group.

The car detailing service under the brand name "CHALLENGER" has been operated in Hong Kong since 1988. Over the past nineteen years, "CHALLENGER" has successfully branded itself as the market leader in car detailing service with 22 outlets in Hong Kong. "CHALLENGER"'s car detailing and polishing applications involve a thorough cleaning and polishing of the body and the passenger compartment of the car, which produces substantially better results than conventional or machine washing. In 1997, "CHALLENGER" diversified into auto repair service, and operates 3 repair facilities in Hong Kong. Challenger group was under restructuring in 2006 and car detailing service and auto repair service has been merged into Challenger. After restructuring, the company becomes more efficiency and effectiveness by improving speed, productivity, quality, and service. Challenger group has employed over 130 staffs in Hong Kong. Challenger offers various car detailing and auto repair membership packages to retain customer loyalty and to attract new customers. Currently, Challenger has an established and loyal customer base of 20,000 active members, representing 6% of the registered private vehicle population in Hong Kong. By providing a high quality service and offering a competitive pricing structure, Challenger's car detailing service has become a market leader, and it is expected to continue to play a dominant role in the industry. The car detailing service has effectively built brand awareness for Challenger and will continue to contribute to the Remaining Group both in terms of sales revenues and, more importantly, in building up the customer base for other business lines.

Challenger is seeking strategic partners who have the resources, capability and experience in Greater China and Southeast Asia to make a valuable contribution to expanding application of Challenger, in particular, the "all-in-one" for auto service concept to the East Asian market. Challenger is looking to enter into a long-term exclusive and mutually rewarding business relationship with the right partners. Challenger will provide strong marketing, promotion and technical support, as proven by their extensive experience and knowledge of the auto service industry. With more than ten years presence and experience in Hong Kong, Challenger's headquarters in Hong Kong is uniquely positioned to coordinate the Asian activities, marketing & distribution logistics throughout East Asia. The Remaining Group will develop Challenger's existing business into a "all-in-one" shop for the auto service industry. The concept of cross-selling (the combination of car detailing service and auto repair service) has already been proven successful with 30% of car-detailing members also joining Challenger's auto repair service packages. Leveraging on the Challenger brand built by the core business in detailing, the Remaining Group plans to further diversify and expand into other auto service businesses over the next five years to capture and maximise the opportunities in the industry. The same experience will be used to develop the PRC as well as other markets.

The existing business lines of Challenger include: (1) car detailing service; (2) auto repair service; and (3) towing and emergency road service and the new business will include: (1) express shop to provide quick lube service and car detailing service; (2) Challenger's web portal to facilitate e-commerce; (3) franchising operation in Hong Kong, PRC and other areas; and (4) auto club (provision of emergency road service; car insurance and car loans; pre-owned car trading; auto accessory; car rental; and auto tours).

Challenger intends to grant 5, 10 and 15 master franchisee in the PRC in 2008, 2009 and 2010 respectively and also set up 250, 550 and 1,050 franchise shops in the PRC in 2008, 2009 and 2010 respectively. In each geographical, master franchising will be given to one franchisee only. Each master franchise outlet is required to contribute an up front payment as the License fee. For every franchise outlet, they need to contribute an up front payment, plus a monthly management fee at a certain percentage on the revenue to Challenger.

Given that the Group continues to have tangible assets (comprise fixed assets, inventories, deposits prepayment, receivables, cash and pledged deposits) and intangible assets (comprises goodwill and trademark and patents) of sufficient value and the expansion plan of Challenger, the Directors consider that the Group will have a sufficient level of operations to warrant the continued listing of the shares of the Company after completion of the Disposal.

Based on the unaudited net asset value of the UGCL Group as at 31 March 2007 of approximately HK$43,981,000, the Directors estimate that a gain of approximately HK$58,144,000 (subject to audit and after associated costs and other expenses) will arise on the Disposal. Taking into account the substantial gain on the Disposal and having considered the keen competition in the office furniture industry in Hong Kong and the PRC, the Directors consider that the Disposal represents a good opportunity for the Company to realise the operation of sale of office furniture at a substantial gain. As the Disposal will strengthen the financial position of the Group and allow the Group to take on other business opportunities with the new funding received from the Disposal, the Directors (including the independent non-executive Directors) consider that the Sale and Purchase Agreement is on normal commercial terms and the terms of the Sale and Purchase Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

USE OF NET PROCEEDS

Upon Closing, UGCL will cease to be a subsidiary of the Company and the Company will not hold any shareholding in UGCL. The net proceeds of the Disposal, which are estimated to be approximately HK$102,125,000, are intended to be applied as follows:

(a) approximately HK$1,250,000 for the payment of the shareholder's loan to Global On-Line;

(b) approximately HK$9,000,000 for the settlement of the subscription monies of new shares of Long Capital; and

(c) the remaining amount of approximately HK$91,875,000 is to be used for the business development of the Remaining Group, and future investments if suitable opportunities arise, and if no suitable investment opportunities arise, as working capital.

Up to the date of the Latest Practicable Date, the Company has not identified any other investment opportunities.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group's turnover for the year ended 31 March 2007 was approximately HK$299.3 million, which represented an increase of approximately 18.8% as compared to the turnover of approximately HK$252.0 million for the year ended 31 March 2006. The turnover derived from the operations of the Group in Hong Kong, the PRC and overseas markets accounted for approximately 30.9%, 48.5% and 20.6% of the Group's turnover respectively for the year ended 31 March 2007, as compared to those of approximately 31.4%, 49.9% and 18.7% for the year ended 31 March 2006.

The Group faced a high pressure of the rising production costs and the overall volatility of raw materials costs, transportation costs and installation costs. Gross profit margin of the Group for the year ended 31 March 2007 was decreased to approximately 33.1% as compared to approximately 35.1% for the year ended 31 March 2006. During the year ended 31 March 2007, there was continuous increase in the costs of raw materials and appreciation of Renminbi. In view of the competitive market environment, the Group has absorbed a portion of such additional costs without shifting the entire burden to customers during the year ended 31 March 2007 given the Group's continuous effort in maintaining long term relationship with its customers.

For the year ended 31 March 2007, the total operating expenses increased by approximately 22.8% as compared to that for the year ended 31 March 2006. The increase in operating expenses were mainly attributable to the increase in staff costs and rental expenses which are for the benefit of the Group's continuous business growth and development in long term. The percentage of total expenses to sales was slightly increased by 0.9% as compared to that of the year ended 31 March 2006. Nevertheless, the additional staff costs incurred enabled the Group to form a stronger support team, together with the increased expenditure on product development, quality assurance, sales and marketing programs, information technology, and staff trainings, which are beneficial for the Group's business growth.

The Group recorded a net profit attributable to equity holders of approximately HK$15.9 million for the year ended 31 March 2007 (2006: HK$20.9 million).

As mentioned in the annual report of the Company for the year ended 31 March 2007, the Company has been facing keen competition in the office furniture industry. In this regard and as mentioned in the announcements of the Company dated 8 May 2007, 9 May 2007, 14 May 2007, 31 May 2007 and 7 June 2007, the Company has been contemplating various corporate exercises involving possible acquisitions of new businesses and the disposal of certain business operations of the Group for the purpose of diversifying and changing the business portfolio of the Group. On 18 June 2007, the Company announced that it had entered into a share subscription agreement, pursuant to which the Company will subscribe for new shares, representing 51% of the entire issued share capital of Global On-Line as enlarged by the issue of new shares. Pursuant to the subscription agreement of Global On-Line, the Company will advance the shareholder's loan in an aggregate amount of HK$2,250,000, which shall be payable as to HK$1,000,000 upon completion of the share subscription agreement and as to the remaining amount of HK$1,250,000 by 31 December 2007. Global On-Line is a company incorporated in Hong Kong on 29 May 2006 with limited liability and it has commenced its operation since September 2006. As disclosed in the announcement, the unaudited net profit after extraordinary items and (i) before and (ii) after taxation of Global On-Line for the period since the date of incorporation on 29 May 2006 to 31 May 2007 were (i) HK$40,503 and (ii) HK$33,415 respectively. As at 31 May 2007, the unaudited net asset value of Global On-Line was HK$33,416. Global On-Line is an on-line distributor of office supplies and equipments (including re-manufactured ink and toner cartridges, USB webcam, digital camera, global navigation system etc.) providing multi-channel and cross-border trade solutions to both corporations and individual on-line buyers in the United States. Global On-Line has connection with over 40 factory owners throughout the PRC and it can select the best quality products for sale in the United States and worldwide.

On 13 July 2007, the Company also announced that it had entered into a share subscription agreement on 11 July 2007, pursuant to which the Company desired to subscribe for new shares, representing 51% of the entire issued share capital, of Long Capital as enlarged by the issue of new shares. Pursuant to the subscription agreement, the Company shall pay the cash consideration of HK$10,000,000 in the following manner: (i) HK$1,000,000 on the closing date of the subscription, (ii) HK$4,500,000 on or before 31 December 2007; and (iii) HK$4,500,000 on or before 31 March 2008. Long Capital is the legal and beneficial owner of the entire issued share capital of Challenger which is a company incorporated in Hong Kong on 5 March 1996 (formerly known as Waytex Limited) with limited liability and principally engaged in auto servicing businesses which include the 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". As disclosed in the announcement, the audited net profit after extraordinary items and (i) before and (ii) after taxation of Challenger for the year ended 31 March 2007 were (i) HK$586,310 and (ii) HK$586,310 respectively. The audited net loss after extraordinary items and (i) before and (ii) after taxation of Challenger for the year ended 31 March 2006 were (i) HK$1,313,855 and (ii) HK$1,313,855 respectively. As at 31 March 2007, the audited total assets and net asset value of Challenger were HK$12,561,377 and HK$1,906,953 respectively.

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 change into the business of on-line office supplies and equipment distribution and to expand the existing automobile services business of "CHALLENGER" in the PRC.

Following completion of both subscriptions of new shares in Global On-Line and Long Capital in July 2007, the Group will be principally engaged in the business of designing, manufacturing and selling office furniture and related products and services primarily in Hong Kong, the PRC and also in other Asian countries (until such time as the Disposal is completed); the business of on-line distribution of office supplies and equipments; and auto servicing businesses under its own brand name “CHALLENGER”. Upon Closing, the Group will discontinue its operations in respect of the design, manufacture and sale of office furniture and related products and services primarily in Hong Kong, the PRC. Auto servicing businesses under its own brand name “CHALLENGER” and the business of on-line distribution of office supplies and equipments will represent the core businesses of the Remaining Group.

WARNING STATEMENT

Shareholders should note that at the time of the listing of the Company in January 2004, the business being engaged by the Company was UGCL which is principally engaged in the design, manufacture and sale of office furniture. Upon Closing, the Group will discontinue its operations in respect of the design, manufacture and sale of office furniture whereas auto servicing businesses under its own brand name “CHALLENGER” and the business of on-line distribution of office supplies and equipments will represent the only businesses of the Remaining Group after the Disposal.

FINANCIAL REVIEW OF THE REMAINING GROUP

Liquidity and Financial Resources

Upon disposal of the Sale Shares, the Remaining Group’s bank and cash balances amounted to approximately HK$98.0 million. The Remaining Group has no short term borrowings and long term liabilities.

Upon disposal of the Sale Shares, the Remaining Group has no granted banking facilities.

Gearing Ratio

Upon disposal of the Sale Shares, the Remaining Group’s gearing ratio, representing the ratio of the Remaining Group’s total liabilities over the Remaining Group’s total assets, was 0.02.

Capital Structure

Upon disposal of the Sale Shares, there has been no change in the capital structure of the Company. The Remaining Group’s net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders was approximately HK$113.8 million.

Foreign Exchange Exposure

The income and expenditure of the Remaining Group are mainly denominated in Hong Kong dollars. The Directors do not consider that the Remaining Group is exposed to significant foreign exchange risk.

Charge on Remaining Group’s Assets

Upon disposal of the Sale Shares, there is no charge on the Remaining Group’s assets.

Employees and Remuneration Policies

Upon disposal of the Sale Shares, the Remaining Group has approximately 140 employees. The Remaining Group continues to employ, promote and reward its staff with reference to their performance and experience. The Remaining Group also consistently adopts a policy of human resources enrichment, and provides training programme to its employees. In addition to their basic salaries, the Remaining Group's employees also enjoy other fringe benefits such as provident fund. Management will continue to closely monitor the human resources requirements of the Remaining Group, and will also put emphasis on the staff quality.

Contingent Liabilities

Upon disposal of the Sale Shares, the Remaining Group does not have any contingent liabilities.

Litigation

Upon disposal of the Sale Shares, the Remaining Group has no significant pending litigation.

FINANCIAL EFFECT ON THE DISPOSAL

Based on the unaudited pro forma consolidated balance sheet of the Remaining Group upon completion of the disposal of UGCL, it is estimated that a gain of approximately HK$58,144,000 (subject to audit and after associated costs and other expenses) will arise on the disposal of UGCL. As at 31 March 2007, the audited total assets of the Group amounted to approximately HK$143,168,000 and the audited total liabilities of the Group amounted to approximately HK$87,551,000. Based on the unaudited pro forma consolidated balance sheet of the Remaining Group as set out in Appendix III to this circular, the unaudited pro forma adjusted consolidated total assets of the Remaining Group is approximately HK$115,574,000 and the unaudited pro forma adjusted consolidated total liabilities of the Remaining Group is approximately HK$1,813,000.

EGM

A notice convening the EGM at which resolution will be proposed to consider, and if thought fit, to approve the Disposal to be held at 3rd Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong on Tuesday, 16 October 2007 at 11:00 a.m. is set out on pages 70 to 71 of this circular. Whether or not you are able to attend the meeting in person, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806 & 1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the EGM should you so wish.

As Ms. Cho will resign as executive Director and Chairman of the Company and will become an employee of the Purchaser, she has a material interest in the Disposal. As at the Latest Practicable Date, Huge Mars International Limited and Excel Formation Limited are interested in 22,882,500 Shares and 60,944,000 Shares respectively. As Ms. Cho is the beneficial owner of the entire issued capital of both Huge Mars International Limited and Excel Formation Limited, she is deemed under the SFO to be interested in an aggregate of 83,826,500 Shares, representing approximately 15.52% of the issued share capital of the Company. Huge Mars International Limited, Excel Formation Limited, Ms. Cho and their associates will abstain from voting on the resolution to approve the Disposal at the EGM and the resolution is subject to the approval of the Shareholders other than Huge Mars International Limited, Excel Formation Limited, Ms. Cho and their associates at the EGM by poll.

PROCEDURES TO DEMAND A POLL

For your further information and as required by the GEM Listing Rules, set forth below are the procedures for demanding a poll at general meeting of the Company. Pursuant to Article 66 of the Articles, every resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded:

(a) by the chairman of such meeting; or

(b) by at least three members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or

(c) by a member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) by a member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or

(e) by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent (5%) or more of the total voting rights at such meeting.

A poll which is duly demanded shall then be held in such manner prescribed by the Articles.

RECOMMENDATION

The Board believes that the terms of the Sale and Purchase Agreement are fair and reasonable and the Disposal is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

Yours faithfully,
By order of the Board
Ultra Group Holdings Limited
Cho Yuen Yi, Wendy
Chairman

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

7th Floor
Allied Kajima Building
138 Gloucester Road
Hong Kong

28 September 2007

The Board of Directors
Ultra Group Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Ultra Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2007 (the "Relevant Periods") for inclusion in the circular dated 28 September 2007 issued by the Company in connection with the proposed disposal of the entire equity interest in Ultra Group Company Limited, a wholly-owned subsidiary of the Company (the "Circular").

The Company was incorporated in the Cayman Islands on 29 July 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

As at 31 March 2007, the Company has the following subsidiaries, which all are private companies with limited liability:

Name	Place of incorporation/ registration and principal place of operation	Attributable equity interest	Issued and fully paid share capital/ registered capital	Principal activities
Directly held				
Ultra Group Company Limited	British Virgin Islands/ Hong Kong	100%	US$10,000 Ordinary	Investment holding
Indirectly held				
Ultra (HK) Group Holdings Limited	Hong Kong	100%	HK$2 Ordinary	Investment holding
Ultra Trading (HK) Limited	Hong Kong	100%	HK$2 Ordinary	Trading of office furniture in Hong Kong
Ultra Development Limited	Hong Kong	100%	HK$2 Ordinary	Trading of office furniture and provision of management services

Name	Place of incorporation/ registration and principal place of operation	Attributable equity interest	Issued and fully paid share capital/ registered capital	Principal activities
Ultra Asia Holdings Limited	Hong Kong	100%	HK$2 Ordinary	Export of office furniture
Ultra Trading Company Limited	Hong Kong	100%	HK$10,000 Ordinary	Dormant since July 2001
Kwun Yick International Limited	British Virgin Islands/ Hong Kong	100%	US$1 Ordinary	Investment holding
Ultra Trading International Company Limited	Hong Kong	100%	HK$2 Ordinary	Dormant since September 2002
Europe China Media Asia-Pacific Limited	Hong Kong	100%	HK$2 Ordinary	Investment holding
Ultra Office Furniture Company Limited	Hong Kong	100%	HK$10,000 Ordinary	Investment holding and dormant since April 2006
Ultra Asia-Pacific Company Limited	Hong Kong	100%	HK$2,000,000 Ordinary	Dormant since September 2001
Zhaoqing Ultra Furniture Company Limited	The PRC	100%	US$1,200,000 Equity	Manufacturing and sale of office furniture

All the companies of the Group have adopted 31 March as their financial year end date, except for Zhaoqing Ultra Furniture Company Limited, which adopts 31 December as its financial year end date as required by the relevant laws in the People's Republic of China (the "PRC"). We acted as auditors of the Company and its subsidiaries for the Relevant Periods except Zhaoqing Ultra Furniture Company Limited.

The statutory financial statements of Zhaoqing Ultra Furniture Company Limited have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Zhaoqing Tianyuanxinzhan Certified Public Accountants Limited, the certified public accountants registered in the PRC for each of the three years ended 31 December 2006.

No audited financial statements of Ultra Group Company Limited and Kwun Yick International Limited have been prepared for the Relevant Periods as there is no statutory audit requirement in the country of their incorporation.

We have acted as auditors of the Company for the Relevant Periods. Audited consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the " HKICPA") and accounting principles generally accepted in Hong Kong.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary for the purpose of preparing our report for inclusion in the Circular. We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements and the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2005, 2006 and 2007 and of the Group's results and cash flows for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 March		
		2005	**2006**	**2007**
	Note	*HK$*	*HK$*	*HK$*
Turnover	6	161,634,992	252,032,927	299,298,481
Cost of goods sold		(104,727,747)	(163,498,632)	(200,308,299)
Gross profit		56,907,245	88,534,295	98,990,182
Other income	7	778,975	1,619,288	1,879,226
Selling and distribution costs		(20,722,302)	(28,338,973)	(40,571,027)
Administrative and other operating expenses		(33,450,768)	(40,385,621)	(43,606,641)
Profit from operations		3,513,150	21,428,989	16,691,740
Finance costs	8	(461,088)	(457,606)	(748,945)
Profit before tax		3,052,062	20,971,383	15,942,795
Income tax credit/(expense)	9	55,009	(23,299)	(69,000)
Profit for the year attributable to equity holders of the Company	10	3,107,071	20,948,084	15,873,795
Dividends	12	–	–	–
Basic earnings per share (cents)	13	0.58	3.88	2.94

CONSOLIDATED BALANCE SHEETS

		At 31 March		
		2005	2006	2007
	Note	*HK$*	*HK$*	*HK$*
Non-current assets				
Fixed assets	16	11,408,750	13,142,328	18,313,143
Prepaid land lease payments	17	1,379,624	1,362,266	1,389,653
Intangible asset	18	–	–	334,463
		12,788,374	14,504,594	20,037,259
Current assets				
Inventories	20	9,915,294	11,957,104	18,540,920
Trade and bills receivables	21	24,097,165	50,775,326	50,008,088
Deposits, prepayments and other receivables		2,818,534	2,810,735	4,689,931
Current tax assets		635,046	197,674	184,754
Pledged bank deposits	27(i)	5,040,342	3,521,425	3,521,425
Bank and cash balances	22	14,801,535	24,362,335	46,185,811
		57,307,916	93,624,599	123,130,929
Less: Current liabilities				
Trade and bills payables	23	23,625,995	32,167,255	39,457,334
Other payables and accruals		12,492,752	21,430,911	28,895,381
Dividend payables		379,103	97,769	14,489
Sales deposits received		5,544,559	8,618,261	8,330,144
Short term borrowings	24	10,903,838	7,116,418	10,091,277
Current portion of long term borrowings	25	354,124	317,632	281,922
		53,300,371	69,748,246	87,070,547
Net current assets		4,007,545	23,876,353	36,060,382
Total assets less current liabilities		16,795,919	38,380,947	56,097,641
Non-current liabilities				
Long term borrowings	25	674,537	780,875	480,811
NET ASSETS		16,121,382	37,600,072	55,616,830
Capital and reserves				
Share capital	26(a)	5,400,000	5,400,000	5,400,000
Reserves		10,721,382	32,200,072	50,216,830
TOTAL EQUITY		16,121,382	37,600,072	55,616,830

BALANCE SHEETS

		At 31 March		
		2005	**2006**	**2007**
	Note	*HK$*	*HK$*	*HK$*
Non-current assets				
Investments in subsidiaries	19	200,000	200,000	200,000
Current assets				
Prepayments and other receivables		182,750	151,075	153,653
Amount due from subsidiaries	19	5,803,410	7,886,624	9,615,777
Pledged bank deposits	27(i)	5,040,342	3,521,425	3,521,425
Bank balances		3,034,967	3,142,813	157,783
		14,061,469	14,701,937	13,448,638
Less: Current liabilities				
Accruals		678,176	2,283,030	1,812,876
Net current assets		13,383,293	12,418,907	11,635,762
NET ASSETS		13,583,293	12,618,907	11,835,762
Capital and reserves				
Share capital	26(a)	5,400,000	5,400,000	5,400,000
Reserves		8,183,293	7,218,907	6,435,762
TOTAL EQUITY		13,583,293	12,618,907	11,835,762

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Reserves				
	Share capital	Share premium (note (i))	Merger reserve (note (ii))	Foreign currency translation reserve	Retained profits	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 April 2004	5,400,000	9,536,387	(122,000)	(48,074)	(1,752,002)	13,014,311
Profit for the year	–	–	–	–	3,107,071	3,107,071
At 31 March 2005 and 1 April 2005	5,400,000	9,536,387	(122,000)	(48,074)	1,355,069	16,121,382
Translation difference	–	–	–	530,606	–	530,606
Net income recognised directly in equity	–	–	–	530,606	–	530,606
Profit for the year	–	–	–	–	20,948,084	20,948,084
Total recognised income and expense for the year	–	–	–	530,606	20,948,084	21,478,690
At 31 March 2006 and 1 April 2006	5,400,000	9,536,387	(122,000)	482,532	22,303,153	37,600,072
Translation difference	–	–	–	2,142,963	–	2,142,963
Net income recognised directly in equity	–	–	–	2,142,963	–	2,142,963
Profit for the year	–	–	–	–	15,873,795	15,873,795
Total recognised income and expense for the year	–	–	–	2,142,963	15,873,795	18,016,758
At 31 March 2007	5,400,000	9,536,387	(122,000)	2,625,495	38,176,948	55,616,830

Note:

(i) Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

(ii) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the corporate reorganisation details of which are set out in the Company's prospectus dated 31 December 2003.

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	3,052,062	20,971,383	15,942,795
Adjustments for:			
Depreciation	2,168,720	2,398,290	2,566,051
Amortisation of prepaid land lease payments	36,627	37,153	38,257
Amortisation of intangible asset	–	–	54,837
Loss on disposal of fixed assets	279,622	67,867	77,991
Finance costs	461,088	457,606	748,945
Interest income	(24,542)	(214,538)	(587,467)
Operating profit before working capital changes	5,973,577	23,717,761	18,841,409
Increase in inventories	(4,422,037)	(2,041,810)	(6,583,816)
(Increase)/decrease in trade and bills receivables	(11,554,041)	(26,678,161)	767,238
Decrease/(increase) in deposits, prepayments and other receivables	529,186	7,799	(1,879,196)
Increase in trade and bills payables	6,479,202	8,541,260	7,290,079
Increase in other payables and accruals	1,195,334	8,938,159	7,464,470
Increase/(decrease) in sales deposits received	3,119,720	3,073,702	(288,117)
Cash generated from operations	1,320,941	15,558,710	25,612,067
Interest paid	(461,088)	(457,606)	(748,945)
Hong Kong profits tax (paid)/refund	(715,728)	414,073	(56,080)
Overseas income tax paid	(4,688)	–	–
Net cash from operating activities	139,437	15,515,177	24,807,042

	Year ended 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend paid	(201,290)	(281,334)	(83,280)
Interest received	24,542	214,538	587,467
Purchase of fixed assets	(1,246,751)	(3,593,535)	(7,331,285)
Purchase of intangible asset	–	–	(389,300)
Proceeds from disposal of fixed assets	3,000	–	21,097
(Increase)/decrease in pledged bank deposits	(40,304)	1,518,917	–
Net cash used in investing activities	(1,460,803)	(2,141,414)	(7,195,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans	(1,410,784)	(3,109,966)	(4,133,124)
Bank loans raised	3,342,700	2,884,500	5,041,650
Net borrowings/(repayment) of trust receipt and trade financing loans	3,638,425	(396,492)	1,826,039
Repayment of finance lease payables	(65,950)	(169,522)	(235,970)
Net cash from/(used in) financing activities	5,504,391	(791,480)	2,498,595
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,183,025	12,582,283	20,110,336
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	–	410,245	1,713,140
	4,183,025	12,992,528	21,823,476
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,186,782	11,369,807	24,362,335
CASH AND CASH EQUIVALENTS AT END OF YEAR	11,369,807	24,362,335	46,185,811

	Year ended 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	14,801,535	24,362,335	46,185,811
Bank overdraft – secured	(3,431,728)	–	–
	11,369,807	24,362,335	46,185,811

B. NOTES TO THE FINANCIAL INFORMATION

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"). The Company is an investment holding company.

2. ADOPTION OF NEW AND REVISED HKFRSs

For the purpose of the Financial Information, 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 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 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 Information of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs, 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.

The Financial Information has been prepared under the historical cost convention.

The preparation of Financial Information 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 areas involving critical judgements and areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below:

(a) Consolidation

The Financial Information includes the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2% – 4.5%
Leasehold improvements	30%
Plant and machinery	9%
Office equipment	15% – 18%
Furniture and fixtures	10%
Moulds	30%
Motor vehicles	18% – 30%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(d) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the balance sheet as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(e) Intangible asset

Intangible asset that is acquired by the Group is stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible asset is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of intangible asset unless such life is indefinite. Intangible asset with an indefinite useful life is systematically tested for impairment at each balance sheet date. Intangible asset is amortised from the date it is available for use. The estimated useful life of license is five years from the date it is available for use according to the agreement entered by the Group and the licensor.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Trade, bills and other receivables

Trade, bills and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade, bills and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(h) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(i) Financial liability and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Service income is recognised in the period when services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(l) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

(m) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

(n) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(o) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(p) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of fixed assets, inventories and trade and bills receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(q) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(s) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Financial Information. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the Financial Information when material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fixed assets and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Recoverability of trade and bills receivables

The Group considered the recoverability of the trade and bills receivables arising from the sales of the goods, which is included in its balance sheets at 31 March 2005, 2006 and 2007 at HK$24,097,165, HK$50,775,326 and HK$50,008,088 respectively. In making judgement for the recoverability of the trade and bills receivables, the Group considers the historical payment record and creditability of the debtors. The recoverability of the trade and bills receivables will be closely monitored and adjustments made in future periods, if the non-recovery of trade and bills receivables arises.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, Renminbi ("RMB"), United States dollars ("US$") and Euro ("EUR"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The carrying amount of the trade and bills receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's exposure to interest-rate risk arises from its long-term borrowings. These borrowings bear interests at variable rates varied with the then prevailing market condition.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

6. TURNOVER

	Year ended 31 March		
	2005	2006	2007
	HK$	*HK$*	*HK$*
Turnover			
Sales of goods	161,634,992	252,032,927	299,298,481

7. OTHER INCOME

	Year ended 31 March		
	2005	2006	2007
	HK$	*HK$*	*HK$*
Bad debts recovered	41,802	–	–
Government grants	–	–	328,812
Interest income	24,542	214,538	587,467
Service income	619,754	740,487	–
Sundry income	92,877	664,263	962,947
	778,975	1,619,288	1,879,226

8. FINANCE COSTS

	Year ended 31 March		
	2005	2006	2007
	HK$	*HK$*	*HK$*
Finance lease charges	10,278	22,100	25,627
Interest on bank loans and overdrafts	450,810	435,506	723,318
	461,088	457,606	748,945

9. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 March		
	2005	2006	2007
	HK$	*HK$*	*HK$*
Current tax - Hong Kong Profits Tax			
– provision for the year	–	–	69,000
– (over)/underprovision in prior years	(2,683)	23,299	–
	(2,683)	23,299	69,000
PRC enterprise income tax			
– overprovision in prior years	(52,326)	–	–
	(55,009)	23,299	69,000

Hong Kong Profits Tax is provided at 17.5% based on assessable profit for the year 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.

Pursuant to the relevant laws and regulations in the PRC, Zhaoqing Ultra Furniture Company Limited, a wholly-owned subsidiary 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.

At 31 March 2005, 2006 and 2007, the Group has unused tax losses, that can be carried forward indefinitely, approximately to HK$16,488,000, HK$9,491,000 and HK$7,706,000 respectively. These tax losses are available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams.

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.

The reconciliation between the income tax (credit)/expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Year ended 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Profit before tax	3,052,062	20,971,383	15,942,795
Tax at the domestic income tax rate of 17.5%	534,111	3,669,992	2,789,989
Tax effect of income that is not taxable	(96)	(17,284)	(31,630)
Tax effect of expenses that is not deductible	20,780	19,547	238,718
Tax effect of profits that is exempted from PRC tax authority	(1,598,790)	(2,557,366)	(2,434,297)
Tax effect of utilisation of tax losses not previously recognised	–	(1,224,693)	(343,541)
Tax effect of unused tax losses not recognised	1,004,531	–	–
Temporary difference not recognised	39,464	109,804	(150,239)
(Over)/underprovision in prior years	(55,009)	23,299	–
Income tax (credit)/expense	(55,009)	23,299	69,000

10. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The Group's profit for the year attributable to equity holders of the Company is stated after crediting and charging the following:

	Year ended 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Crediting			
Bad debts recovered	41,802	–	–
Net exchange gains	37,046	–	–
Charging			
Amortisation of intangible asset (included in administrative and other operating expenses)	–	–	54,837
Auditors' remuneration	484,455	501,057	556,460
Cost of inventories sold before allowance	81,786,414	123,885,427	149,424,876
(Write back)/addition of allowance for obsolete inventories	(244,883)	691,053	496,351
	81,541,531	124,576,480	149,921,227
Depreciation	2,168,720	2,398,290	2,566,051
Loss on disposal of fixed assets	279,622	67,867	77,991
Operating lease rentals in respect of land and buildings	4,569,334	5,470,301	7,744,075
Staff costs (including directors' emoluments *(note 14)*)			
Basic salaries, bonuses, allowances and benefits in kind	25,691,371	32,701,254	40,389,769
Retirement benefits scheme contributions	2,218,575	2,753,257	2,882,300
Allowance for doubtful debts	7,249	711,135	1,359,213
Net exchange losses	–	479,543	762,497

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company for the years ended 31 March 2005, 2006 and 2007 included losses of HK$1,328,365, HK$964,386 and HK$783,145 respectively, which have been dealt with in the Financial Information of the Company.

12. DIVIDENDS

No dividend has been declared by the Company for the years ended 31 March 2005, 2006 and 2007.

13. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of HK$3,107,071, HK$20,948,084 and HK$15,873,795 and on the weighted average number of ordinary shares of 540,000,000, 540,000,000, 540,000,000 in issue during the years ended 31 March 2005, 2006 and 2007 respectively.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 March 2005, 2006 and 2007.

14. DIRECTORS' EMOLUMENTS

	Year ended 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Executive directors			
Basic salaries, bonuses, allowances and benefits in kind	2,558,106	4,267,503	3,726,297
Retirement benefits scheme contributions	26,000	24,000	24,000
Independent non-executive directors			
Fees	60,000	60,000	69,984
	2,644,106	4,351,503	3,820,281

There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods.

No option was granted to any directors under the share option scheme during the Relevant Periods.

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

15. RETIREMENT BENEFITS

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

16. FIXED ASSETS

Group

	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Furniture and fixtures	Moulds	Motor vehicles	Construction in progress	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost									
At 1 April 2004	5,682,253	3,404,645	4,057,670	5,287,482	3,536,972	1,307,360	424,761	–	23,701,143
Additions	–	107,406	934,297	432,099	3,900	3,690	260,259	–	1,741,651
Disposals	–	(162,802)	(9,432)	(549,188)	(239,822)	–	(77,571)	–	(1,038,815)
At 31 March 2005 and 1 April 2005	5,682,253	3,349,249	4,982,535	5,170,393	3,301,050	1,311,050	607,449	–	24,403,979
Additions	–	795,250	1,080,734	1,306,893	142,756	1,000	471,334	260,402	4,058,369
Disposals	–	–	(153,855)	(26,056)	–	–	–	–	(179,911)
Translation difference	80,449	31,772	74,797	24,940	28,764	–	–	–	240,722
At 31 March 2006 and 1 April 2006	5,762,702	4,176,271	5,984,211	6,476,170	3,472,570	1,312,050	1,078,783	260,402	28,523,159
Additions	1,621,421	1,391,416	2,126,239	1,620,473	359,680	–	151,700	60,356	7,331,285
Disposals	–	(343,561)	(72,404)	(128,614)	–	–	(348,000)	–	(892,579)
Transfer	273,085	–	–	–	–	–	–	(273,085)	–
Translation difference	277,019	138,040	316,855	112,681	105,685	–	–	12,683	962,963
At 31 March 2007	7,934,227	5,362,166	8,354,901	8,080,710	3,937,935	1,312,050	882,483	60,356	35,924,828
Accumulated depreciation									
At 1 April 2004	1,232,910	1,853,337	2,864,489	2,690,208	1,240,308	1,284,629	416,821	–	11,582,702
Charge for the year	128,210	666,958	421,798	612,053	287,308	19,485	32,908	–	2,168,720
Written back on disposal	–	(162,802)	(8,591)	(417,914)	(89,420)	–	(77,466)	–	(756,193)
At 31 March 2005 and 1 April 2005	1,361,120	2,357,493	3,277,696	2,884,347	1,438,196	1,304,114	372,263	–	12,995,229
Charge for the year	48,332	617,785	621,277	667,057	295,980	3,531	144,328	–	2,398,290
Disposals	–	–	(97,127)	(14,917)	–	–	–	–	(112,044)
Translation difference	17,740	18,814	47,000	9,446	6,356	–	–	–	99,356
At 31 March 2006 and 1 April 2006	1,427,192	2,994,092	3,848,846	3,545,933	1,740,532	1,307,645	516,591	–	15,380,831
Charge for the year	120,644	563,561	397,859	911,274	304,966	2,759	264,988	–	2,566,051
Disposals	–	(343,561)	(40,057)	(61,873)	–	–	(348,000)	–	(793,491)
Translation difference	67,913	95,517	201,594	56,068	37,202	–	–	–	458,294
At 31 March 2007	1,615,749	3,309,609	4,408,242	4,451,402	2,082,700	1,310,404	433,579	–	17,611,685
Carrying amount									
At 31 March 2007	6,318,478	2,052,557	3,946,659	3,629,308	1,855,235	1,646	448,904	60,356	18,313,143
At 31 March 2006	4,335,510	1,182,179	2,135,365	2,930,237	1,732,038	4,405	562,192	260,402	13,142,328
At 31 March 2005	4,321,133	991,756	1,704,839	2,286,046	1,862,854	6,936	235,186	–	11,408,750

At 31 March 2005, 2006 and 2007, the carrying amount of the Group's buildings situated in the PRC amounting to HK$4,227,687, HK$4,196,041 and HK$4,303,528 was pledged as security for the Group's banking facilities.

At 31 March 2005, 2006 and 2007, the carrying amount of plant and machinery and motor vehicles held by the Group under finance leases amounted to HK$460,420, HK$637,717 and HK$498,679.

17. PREPAID LAND LEASE PAYMENTS

Group

	HK$
Cost	
At 1 April 2004, 31 March 2005 and 1 April 2005	1,650,626
Translation difference	23,683
At 31 March 2006 and 1 April 2006	1,674,309
Translation difference	81,547
At 31 March 2007	1,755,856
Accumulated amortisation	
At 1 April 2004	234,375
Charge for the year	36,627
At 31 March 2005 and 1 April 2005	271,002
Charge for the year	37,153
Translation difference	3,888
At 31 March 2006 and 1 April 2006	312,043
Charge for the year	38,257
Translation difference	15,903
At 31 March 2007	366,203
Carrying amount	
At 31 March 2007	1,389,653
At 31 March 2006	1,362,266
At 31 March 2005	1,379,624

At 31 March 2005, 2006 and 2007, the carrying amount of the Group's prepaid land lease payments represents payments for land use rights situated in the PRC held under medium term leases amounting to HK$1,379,624, HK$1,362,266 and HK$1,389,653 was pledged as security for the Group's banking facilities.

18. INTANGIBLE ASSET

Group

	License
	HK$
Cost	
At 1 April 2004, 31 March 2005, 1 April 2005, 31 March 2006 and 1 April 2006	–
Additions	389,300
At 31 March 2007	389,300
Accumulated amortisation	
At 1 April 2004, 31 March 2005, 1 April 2005, 31 March 2006 and 1 April 2006	–
Charge for the year	54,837
At 31 March 2007	54,837
Carrying amount	
At 31 March 2007	334,463
At 31 March 2006	–
At 31 March 2005	–

19. INVESTMENTS IN SUBSIDIARIES

	Company At 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Unlisted investments, at cost	200,000	200,000	200,000

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

20. INVENTORIES

	Group At 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Raw materials	7,144,050	8,932,461	10,649,370
Work in progress	1,738,816	1,360,966	1,916,865
Finished goods	2,330,748	3,669,669	8,566,445
Less: Allowance of obsolete inventories	(1,298,320)	(2,005,992)	(2,591,760)
	9,915,294	11,957,104	18,540,920

21. TRADE AND BILLS RECEIVABLES

	Group At 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Trade and bills receivables	25,442,375	52,840,646	53,485,251
Less: Allowance for doubtful debts	(1,345,210)	(2,065,320)	(3,477,163)
	24,097,165	50,775,326	50,008,088

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:

	Group At 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
0 – 30 days	11,517,540	15,885,992	22,490,435
31 – 60 days	2,687,379	7,663,282	6,275,748
61 – 90 days	3,022,544	14,083,781	4,257,967
Over 90 days	8,214,912	15,207,591	20,461,101
Less: Allowance for doubtful debts	(1,345,210)	(2,065,320)	(3,477,163)
	24,097,165	50,775,326	50,008,088

Included in trade and bills receivables less allowance for doubtful debts are the following amounts denominated in a currency other than the presentation currency of the Group:

	Group At 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
US$	103,402	618,784	112,744
RMB	13,786,499	26,326,277	29,013,097
	13,889,901	26,945,061	29,125,841

22. BANK AND CASH BALANCES

Included in the bank and cash balances are the following amounts denominated in a currency other than the presentation currency of the Group:

	Group		
	At 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
US$	55,003	1,724,584	4,278,062
RMB	6,186,304	5,932,102	10,241,857
	6,241,307	7,656,686	14,519,919

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	Group		
	At 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
0 – 30 days	10,471,995	13,911,905	21,317,075
31 – 60 days	4,536,276	9,009,638	8,197,644
61 – 90 days	3,635,259	4,777,133	5,748,462
Over 90 days	4,982,465	4,468,579	4,194,153
	23,625,995	32,167,255	39,457,334

Included in trade payables are the following amounts denominated in a currency other than the presentation currency of the Group:

	Group		
	At 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
US$	246,603	1,147,909	1,499,261
RMB	18,309,480	22,555,883	24,509,743
EUR	375,890	2,501,056	5,846,968
Others	1,041	229,529	1,058
	18,933,014	26,434,377	31,857,030

24. SHORT TERM BORROWINGS

	Group		
	At 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Bank loans – secured *(note 27)*	2,843,700	2,884,500	4,033,320
Trust receipt and trade financing loans – secured *(note 27)*	4,628,410	4,231,918	6,057,957
Bank overdrafts - secured *(note 27)*	3,431,728	–	–
	10,903,838	7,116,418	10,091,277

The trust receipt and trade financing loans denominated in Hong Kong dollar are HK$1,625,832, HK$1,622,637 and HK$2,393,389 as at 31 March 2005, 2006 and 2007 respectively. The trust receipt and trade financing loans denominated in US$ are HK$3,002,578, HK$2,609,281 and HK$3,664,568 as at 31 March 2005, 2006 and 2007 respectively. The bank loans denominated in RMB are arranged at a fixed rate of 5.8%, 6.0% and 6.1% per annum for 2005, 2006 and 2007 respectively and expose the Group to fair value interest rate risk. Trust receipt and trade financing loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk with the interest rate of 6%, 6.9% and 8.2% as 31 March 2005, 2006 and 2007 respectively. The bank overdrafts denominated in Hong Kong dollars are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

25. LONG TERM BORROWINGS

	Group		
	At 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Interest bearing borrowings			
Bank loans – secured *(note 27)*	599,711	374,245	274,441
Obligations under finance leases	428,950	724,262	488,292
	1,028,661	1,098,507	762,733
Current portion of long term borrowings	(354,124)	(317,632)	(281,922)
	674,537	780,875	480,811

(a) The bank loans are repayable as follows:

	Group		
	At 31 March		
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Within one year	225,466	99,804	99,804
In the second year	99,804	99,804	99,804
In the third to fifth years inclusive	274,441	174,637	74,833
	599,711	374,245	274,441

(b) Obligations under finance leases are repayable as follows:

	Group At 31 March 2005			2006			2007		
	Present value of the minimum lease payments HK$	Interest expenses relating to future periods HK$	Total minimum lease payments HK$	Present value of the minimum lease payments HK$	Interest expenses relating to future periods HK$	Total minimum lease payments HK$	Present value of the minimum lease payments HK$	Interest expenses relating to future periods HK$	Total minimum lease payments HK$
Within one year	128,658	14,178	142,836	217,828	43,676	261,504	182,118	20,442	202,560
In the second year	133,386	9,450	142,836	181,298	21,255	202,553	158,240	17,416	175,656
In the third to fifth years inclusive	166,906	13,845	180,751	325,136	17,787	342,923	147,934	15,912	163,846
	428,950	37,473	466,423	724,262	82,718	806,980	488,292	53,770	542,062

The bank loans and obligations under finance leases are denominated in Hong Kong dollars.

Bank loans of HK$599,711, HK$374,245 and HK$274,441 are arranged at floating rates and thus exposing the Group to cash flow interest rate risk. The interest rates were 6%, 7.2% and 8.8% at 31 March 2005, 2006 and 2007 respectively.

The average effective borrowing rate of the obligations under finance leases was 3.6%, 5.1% and 6.1% at 31 March 2005, 2006 and 2007 respectively. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent liabilities.

26. SHARE CAPITAL

(a) Shares

	Company At 31 March 2005 HK$	2006 HK$	2007 HK$
Authorised:			
10,000,000,000 ordinary shares of HK$0.01 each	100,000,000	100,000,000	100,000,000
Issued and fully paid:			
540,000,000 ordinary shares of HK$0.01 each	5,400,000	5,400,000	5,400,000

(b) Share option scheme

A share option scheme was adopted by the then shareholders of the Company by way of written resolution passed on 9 December 2003. Details of the scheme are set out in the Report of the Directors set out in the Company's annual report issued on 15 June 2005, 21 June 2006 and 21 June 2007 respectively.

As at 31 March 2005, 31 March 2006 and 31 March 2007, no option has been granted or agreed to be granted under the share option scheme.

27. BANKING FACILITIES

At 31 March 2005, 2006 and 2007, the Group has been granted banking facilities totaling HK$14.4 million, HK$18.2 million and HK$25.3 million of which HK$13.2 million, HK$11.1 million and HK$17.4 million respectively were utilised and were secured by the following:

(i) Pledge of fixed deposits of approximately HK$5.0 million, HK$3.5 million and HK$3.5 million plus subsequent accrued interest as at 31 March 2005, 2006 and 2007 respectively;

(ii) Corporate guarantees executed by the Company and three subsidiaries of the Company;

(iii) Legal charge on prepaid land lease payments and buildings owned by a subsidiary *(note 16 and 17)*.

28. CONTINGENT LIABILITIES

At 31 March 2005, 2006 and 2007 there were contingent liabilities in respect of bills of exchange discounted to a bank with recourse amounted to HK$1,319,580, HK$Nil and HK$Nil respectively.

At 31 March 2007 the Group is a co-defendant with a Group's staff 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, and while the final outcome of the proceedings is uncertain, it is the directors' opinion that the ultimate liability, if any, will not have a material impact on the Group's financial position. (2005: HK$Nil and 2006:HK$Nil)

29. CAPITAL COMMITMENTS

The Group's capital commitments at the respective balance sheet dates are as follows:

		Group	
		At 31 March	
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Contracted but not provided for			
– construction of factory premises	–	871,294	–

30. LEASE COMMITMENTS

At 31 March 2005, 2006 and 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

		Group	
		At 31 March	
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Within one year	3,900,820	5,793,127	7,564,900
In the second to fifth years inclusive	1,719,803	9,410,673	7,451,312
	5,620,623	15,203,800	15,016,212

31. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the Financial Information, the Group had the following transactions with its related parties for the years ended 31 March 2005, 2006 and 2007:

	Group	At 31 March	
	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Sales to:			
– Ms. Cho Yuen Yi, Wendy	–	–	30,227
– James T. W. Kong & Co.	–	–	34,085

Mr. Kong Tze Wing, a former director of the Company, has beneficial interest in James T.W. Kong & Co.

32. 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 Global On-Line of which HK$1,000,000 has been advanced on 3 July 2007. 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 of Global On-Line as at 3 July 2007.

On 24 July 2007, the Group subscribed for 51% of the entire 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 Challenger up to the closing date has not been completed as at the date of this report.

On 20 August 2007, the Group entered into an agreement to dispose of its entire equity interest in Ultra Group Company Limited, a wholly-owned subsidiary of the Company, to a third party at a consideration of US$13.28 million.

The disposal of Ultra Group Company Limited is not considered as a discontinued operation as at 31 March 2007 since the sale was not highly probable as at 31 March 2007 in accordance with HKFRS 5 "Non-current Assets Hold for Sale and Discontinued Operation".

33. SEGMENT INFORMATION

Sale of office furniture is the only business segment of the Group. Accordingly no further business segment information is provided.

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

Geographical segments

Segment information about the geographical markets for the year is presented as follows:

For the year ended 31 March 2005

	Hong Kong	The PRC	Overseas	Total
	HK$	*HK$*	*HK$*	*HK$*
Revenue				
Sales to external customers	49,745,414	96,485,661	15,403,917	161,634,992
Results				
Segment results	864,716	15,155,785	4,750,498	20,770,999
Unallocated corporate expenses				(18,036,824)
Other income (excluding interest income)				754,433
Operating profit				3,488,608
Finance costs				(461,088)
Interest income				24,542
Profit before tax				3,052,062
Income tax credit				55,009
Profit for the year attributable to equity holders of the Company				3,107,071

At 31 March 2005

	Hong Kong	The PRC	Overseas	Unallocated	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Assets					
Segment assets	12,333,206	16,958,589	1,046,002	39,758,493	70,096,290
Liabilities					
Segment liabilities	7,949,579	5,086,218	729,764	40,209,347	53,974,908
Other Information					
Capital expenditure	441,426	248,072	–	1,052,153	1,741,651
Depreciation and amortisation	545,450	847,871	–	775,399	2,168,720
Allowance for doubtful debts	–	7,249	–	–	7,249

For the year ended 31 March 2006

	Hong Kong	The PRC	Overseas	Total
	HK$	*HK$*	*HK$*	*HK$*
Revenue				
Sales to external customers	79,178,307	125,831,509	47,023,111	252,032,927
Results				
Segment results	7,872,506	19,415,123	15,263,603	42,551,232
Unallocated corporate expenses				(22,741,531)
Other income (excluding interest income)				1,404,750
Operating profit				21,214,451
Finance costs				(457,606)
Interest income				214,538
Profit before tax				20,971,383
Income tax expense				(23,299)
Profit for the year attributable to equity holders of the Company				20,948,084

At 31 March 2006

	Hong Kong	The PRC	Overseas	Unallocated	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Assets					
Segment assets	16,121,315	31,444,226	10,631,810	49,931,842	108,129,193
Liabilities					
Segment liabilities	8,837,884	8,524,315	6,627,200	46,539,722	70,529,121
Other Information					
Capital expenditure	1,243,399	881,983	–	1,932,987	4,058,369
Depreciation and amortisation	606,349	862,636	–	929,305	2,398,290
Allowance for doubtful debts	240,000	471,135	–	–	711,135

For the year ended 31 March 2007

	Hong Kong	The PRC	Overseas	Total
	HK$	*HK$*	*HK$*	*HK$*
Revenue				
Sales to external customers	92,466,330	145,060,229	61,771,922	299,298,481
Results				
Segment results	18,895,910	30,757,314	19,654,738	69,307,962
Unallocated corporate expenses				(54,495,448)
Other income (excluding interest income)				1,291,759
Operating profit				16,104,273
Finance costs				(748,945)
Interest income				587,467
Profit before tax				15,942,795
Income tax expense				(69,000)
Profit for the year attributable to equity holders of the Company				15,873,795

At 31 March 2007

	Hong Kong	The PRC	Overseas	Unallocated	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Assets					
Segment assets	17,837,960	40,876,448	7,971,144	76,482,636	143,168,188
Liabilities					
Segment liabilities	8,152,059	11,391,284	10,538,021	57,469,994	87,551,358
Other Information					
Capital expenditure	615,368	2,221,182	–	4,884,035	7,720,585
Depreciation and amortisation	269,454	895,498	–	1,455,936	2,620,888
Allowance for doubtful debts	809,769	69,307	480,137	–	1,359,213

34. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENTS

Major non-cash transaction

At the year ended 31 March 2005, 2006 and 2007, the Group entered into finance leases in respect of motor vehicles with a total capital value at the inception of HK$494,900, HK$464,834 and HK$Nil.

C. SUBSEQUENT CONSOLIDATED FINANCIAL STATEMENTS

No audited consolidated financial statements have been prepared by the Group subsequent to 31 March 2007.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountant
Hong Kong

1. INDEBTEDNESS

As at the close of business on 31 July 2007, being the latest practicable date for this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$9.1 million, comprising bank loans and overdrafts of approximately HK$4.7 million and finance lease payables of approximately HK$0.4 million which is secured by the pledge of the Group's time deposits and leasehold land and buildings, plant and machinery and motor vehicles and the corporate guarantees executed by the Company and three subsidiaries and unsecured amounts due to minority shareholders of approximately HK$4.0 million.

Save as aforesaid or otherwise disclosed in the paragraphs above, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at 31 July 2007, the Group had no other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

2. WORKING CAPITAL

After taking into account the internally generated funds and available banking facilities of the Group, the Directors are of the opinion that, following the completion of the Disposal, the Remaining Group have sufficient working capital to satisfy its present requirement for the next twelve months from the date of this circular.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The accompanying unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect of the Disposal might have affected the financial information of the Group.

The unaudited pro forma consolidated income statement and cash flow statement of the Remaining Group for the year ended 31 March 2007 are prepared based on the audited consolidated income statement and cash flow statement of the Group for the year ended 31 March 2007 as extracted from the accountants' report in Appendix I as if the Disposal had been completed on 1 April 2006.

The unaudited pro forma consolidated balance sheet of the Remaining Group as at 31 March 2007 is prepared based on the audited consolidated balance sheet of the Group as at 31 March 2007 as extracted from the accountants' report in Appendix I as if the Disposal had been completed on 31 March 2007.

The unaudited pro forma financial information of the Remaining Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Remaining Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Remaining Group that would have been attained had the Disposal actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Remaining Group does not purport to predict the Remaining Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the financial information of the Group as set out in Appendix I and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE REMAINING GROUP

	The Group for the year ended 31 March 2007	Pro forma adjustments	*Notes*	The Remaining Group
	HK$	*HK$*		*HK$*
Turnover	299,298,481	(299,298,481)	1	–
Cost of goods sold	(200,308,299)	200,308,299	1	–
Gross profit	98,990,182			–
Other income	1,879,226	(1,701,132)	1	178,094
Selling and distribution costs	(40,571,027)	40,571,027	1	–
Administrative and other operating expenses	(43,606,641)	42,645,408	1	(961,233)
Profit on Disposal	–	76,943,835	2	76,943,835
Profit from operations	16,691,740			76,160,696
Finance costs	(748,945)	748,939	1	(6)
Profit before tax	15,942,795			76,160,690
Income tax expense	(69,000)	69,000	1	–
Profit for the year attributable to equity holders of the Company	15,873,795			76,160,690

C. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE REMAINING GROUP

	The Group as at 31 March 2007	Pro forma adjustments	*Notes*	The Remaining Group
	HK$	*HK$*		*HK$*
Non-current assets				
Fixed assets	18,313,143	(18,313,143)	3	–
Prepaid land lease payments	1,389,653	(1,389,653)	3	–
Other receivable	–	7,800,000	4	7,800,000
Intangible asset	334,463	(334,463)	3	–
	20,037,259			7,800,000
Current assets				
Inventories	18,540,920	(18,540,920)	3	–
Trade and bills receivables	50,008,088	(50,008,088)	3	–
Deposits, prepayments and other receivables	4,689,931	5,079,499	3 & 5	9,769,430
Current tax assets	184,754	(184,754)	3	–
Pledged bank deposits	3,521,425			3,521,425
Bank and cash balances	46,185,811	(46,028,028)	3	94,482,783
		94,325,000	6	
	123,130,929			107,773,638
Less: Current liabilities				
Trade and bills payables	39,457,334	(39,457,334)	3	–
Other payables and accruals	28,895,381	(27,082,505)	3	1,812,876
Dividend payables	14,489	(14,489)	3	–
Sales deposit received	8,330,144	(8,330,144)	3	–
Short term borrowings	10,091,277	(10,091,277)	3	–
Current portion of long term borrowings	281,922	(281,922)	3	–
	87,070,547			1,812,876

	The Group as at 31 March 2007	Pro forma adjustments	*Notes*	The Remaining Group
	HK$	*HK$*		*HK$*
Net current assets	36,060,382			105,960,762
Total assets less current liabilities	56,097,641			113,760,762
Non-current liabilities				
Long term borrowings	480,811	(480,811)	3	–
NET ASSETS	55,616,830			113,760,762
Capital and reserves				
Share capital	5,400,000			5,400,000
Reserves	50,216,830	58,143,932	2	108,360,762
TOTAL EQUITY	55,616,830			113,760,762

D. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE REMAINING GROUP

	The Group for the year ended 31 March 2007 *HK$*	Pro forma adjustments *HK$*	*Notes*	The Remaining Group *HK$*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	15,942,795	76,943,835	2	76,160,690
		(16,725,940)	1	
Adjustment for:				
Depreciation	2,566,051	(2,566,051)	7	–
Amortisation of prepaid land lease payments	38,257	(38,257)	7	–
Amortisation of intangible asset	54,837	(54,837)	7	–
Loss on disposal of fixed assets	77,991	(77,991)	7	–
Finance costs	748,945	(748,939)	7	6
Interest income	(587,467)	409,373	7	(178,094)
Profit on Disposal	–	(76,943,835)	2	(76,943,835)
Operating profit before working capital changes	18,841,409			(961,233)
Increase in inventories	(6,583,816)	6,583,816	7	–
Decrease in trade and bills receivables	767,238	(767,238)	7	–
Increase in deposits, prepayments and other receivables	(1,879,196)	147,464	7	(1,731,732)
Increase in trade and bills payables	7,290,079	(7,290,079)	7	–
Increase/(decrease) in other payables and accruals	7,464,470	(7,934,622)	7	(470,152)
Decrease in sales deposits received	(288,117)	288,117	7	–
Cash generated from/(used in) operations	25,612,067			(3,163,117)
Interest paid	(748,945)	748,939	7	(6)
Hong Kong profits tax paid	(56,080)	56,080	7	–
Net cash from/(used in) operating activities	24,807,042			(3,163,123)

	The Group for the year ended 31 March 2007	Pro forma adjustments	*Notes*	The Remaining Group
	HK$	*HK$*		*HK$*
CASH FLOW FROM INVESTING ACTIVITIES				
Dividend paid	(83,280)	83,280	7	–
Interest received	587,467	(409,373)	7	178,094
Purchases of fixed assets	(7,331,285)	7,331,285	7	–
Purchase of intangible assets	(389,300)	389,300	7	–
Proceeds from disposal of fixed assets	21,097	(21,097)	7	–
Net proceeds from Disposal (net of cash and cash equivalents of UGCL Group)	–	73,105,477	8	73,105,477
Net cash used in/(generated from) investing activities	(7,195,301)			73,283,571
CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of bank loans	(4,133,124)	4,133,124	7	–
Bank loans raised	5,041,650	(5,041,650)	7	–
Net borrowings of trust receipt and trade financing loans	1,826,039	(1,826,039)	7	–
Repayment of finance lease payables	(235,970)	235,970	7	–
Net cash from financing activities	2,498,595			–

	The Group for the year ended 31 March 2007 *HK$*	Pro forma adjustments *HK$*	*Notes*	The Remaining Group *HK$*
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,110,336			70,120,448
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,713,140	(1,713,140)	7	–
	21,823,476			70,120,448
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24,362,335			24,362,335
CASH AND CASH EQUIVALENTS AT END OF YEAR	46,185,811			94,482,783

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. The adjustments represent the exclusion of the operating results of UGCL Group for the year ended 31 March 2007 as if the Disposal had been completed on 1 April 2006.

2. Assuming that the Closing Net Assets would be the unaudited net asset value of UGCL Group as at 31 March 2007 of HK$43,981,068 (approximately US$5,639,000) and the Closing Net Cash would be the net cash balance as at 31 March 2007 of approximately HK$25,558,000 (approximately US$3,277,000), it is expected that the Financial Adjustments will be equal to the Net Assets Excess (the excess of the Closing Net Assets over US$4.8 million (approximately HK$37,440,000)) of approximately HK$6,541,000 (approximately US$839,000). Accordingly, the final consideration will be approximately HK$110,125,000 (approximately US$14,119,000) being the sum of the consideration of US$13.28 million (approximately HK$103,584,000) and the Financial Adjustments of approximately HK$6,541,000 (approximately US$839,000).

   In the unaudited pro forma consolidated income statement and consolidated cash flow statement of the Remaining Group, the profit on Disposal is based on the unaudited consolidated balance sheet of UGCL Group as at 1 April 2006 as if the Disposal had been completed on 1 April 2006. The profit on Disposal will be HK$76,943,835 calculated as the deduction of the estimated expenses related to Disposal of approximately HK$8,000,000 and the Closing Net Assets as at 1 April 2006 of HK$25,181,165 from the total consideration of approximately HK$110,125,000.

   In the unaudited pro forma consolidated balance sheet of the Remaining Group, the profit on Disposal is based on the unaudited consolidated balance sheet of UGCL Group as at 31 March 2007 as if the Disposal had been completed on 31 March 2007. The profit on Disposal will be HK$58,143,932 calculated as the deduction of the estimated expenses related to Disposal of approximately HK$8,000,000 and the Closing Net Assets as at 31 March 2007 of HK$43,981,068 from the total consideration of approximately HK$110,125,000.

3. The adjustments represent the exclusion of the consolidated net assets of UGCL Group of HK$43,981,068 as at 31 March 2007 as if the Disposal had been completed on 31 March 2007.

4. In the unaudited pro forma consolidated balance sheet of the Remaining Group, the other receivable is the cash of US$1million (approximately HK$7,800,000) paid by the Purchaser to an escrow agent at Closing as if the Disposal had been completed on 31 March 2007. Any funds remaining in the escrow account on the fourth anniversary of the Closing Date shall be released by the escrow agent to the Company in accordance with joint written instructions issued to the escrow agent by the Purchaser and the Company.

5. In the unaudited pro forma consolidated balance sheet of the Remaining Group, the adjustments in deposits, prepayments and other receivables of HK$5,079,499 represent the exclusion of (i) the deposits, prepayments and other receivables of UGCL Group amounted to HK$4,536,278; and (ii) the amount due from UGCL Group to the Company of HK$9,615,777; as if the Disposal had been completed on 31 March 2007.

6. In the unaudited pro forma consolidated balance sheet of the Remaining Group, the net proceeds from Disposal is calculated as if the Disposal had been completed on 31 March 2007. The net proceeds from Disposal will be approximately HK$94,325,000 calculated as the deduction of the estimated expenses related to Disposal of approximately HK$8,000,000 and the cash custody to an escrow agent of the amount of US$1 million (approximately HK$7,800,000) from the total consideration of approximately HK$110,125,000.

7. The adjustments represent the exclusion of the cash flows of UGCL Group for the year ended 31 March 2007 as if the Disposal had been completed on 1 April 2006.

8. In the unaudited pro forma consolidated cash flow statement of the Remaining Group, the net proceeds from Disposal is calculated as if the Disposal had been completed on 1 April 2006. The net proceeds from Disposal will be HK$73,105,477 calculated as the deduction of (i) cash and cash equivalents of UGCL Group as at 1 April 2006 of approximately HK$21,219,523; (ii) the estimated expenses related to Disposal of approximately HK$8,000,000; and (iii) the cash custody to an escrow agent of the amount of US$1 million (approximately HK$7,800,000) from the total consideration of approximately HK$110,125,000.

9. Subsequent to 31 March 2007, on closing date 3 July 2007, the Group subscribed for 51% of the entire issued share capital of Global On-Line, details of which were disclosed in the letter from the Board in this circular and the announcement of the Company dated 18 June 2007. As disclosed in the announcement, the unaudited net profit after extraordinary items and (i) before and (ii) after taxation of Global On-Line for the period since the date of incorporation on 29 May 2006 to 31 May 2007 were (i) HK$40,503 and (ii) HK$33,415 respectively. As at 31 May 2007, the unaudited net asset value of Global On-Line was HK$33,416.

10. Subsequent to 31 March 2007, on closing date 24 July 2007, the Group subscribed for 51% of the entire issued share capital of Long Capital. Long Capital is the legal and beneficial owner of the entire issued share capital of Challenger. Details of the subscription were disclosed in the letter from the Board in this circular and the announcement of the Company dated 13 July 2007. As disclosed in the announcement, the audited net profit after extraordinary items and (i) before and (ii) after taxation of Challenger for the year ended 31 March 2007 were (i) HK$586,310 and (ii) HK$586,310 respectively. The audited net loss after extraordinary items and (i) before and (ii) after taxation of Challenger for the year ended 31 March 2006 were (i) HK$1,313,855 and (ii) HK$1,313,855 respectively. As at 31 March 2007, the audited total assets and net asset value of Challenger were HK$12,561,377 and HK$1,906,953 respectively.

F. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Nelson Wheeler
羅申美會計師行
Certified Public Accountants

7th Floor
Allied Kajima Building
138 Gloucester Road
Hong Kong

28 September 2007

The Board of Directors
Ultra Group Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Ultra Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed disposal of the entire issued share capital of Ultra Group Company Limited might have affected the financial information of the Group presented, for inclusion in Appendix III to the circular of the Company dated 28 September 2007 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 53 to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibilities solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 March 2007 or any future date; or
- the results and cash flows of the Group for the year ended 31 March 2007 or any future periods.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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: (1) the information contained in this circular is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

DISCLOSURE OF INTERESTS

(i) Interests and Short Positions of Directors and Chief Executives in the Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, 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 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:

Name of Director	Capacity	No. of Shares	*Notes*	Percentage of shareholding
Ms. Cho	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, 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, 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 5.46 to 5.67 of the GEM Listing Rules as at the Latest Practicable Date.

(ii) Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or the chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Director	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. Mr. Wong Wai Keung, Dennis is deemed to be interested in 81,000,000 Shares held by Gold Master Business Limited under the SFO.

3. Excel Formation Limited is wholly-owned by Ms. Cho, 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 the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors is materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group.

INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors has any material direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2007, being the date on which the latest published audited accounts of the Company were made up.

INTERESTS IN OTHER MEMBERS OF THE GROUP

As at the Latest Practicable Date, so far as is known to the Directors, there was no person (other than a Director or chief executive of the Company) who was, directly or indirectly, interested in 5 % or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any subsidiary of the Company.

LITIGATION

A subsidiary of the Company is currently a co-defendant with a driver 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 disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates (as defined under the GEM Listing Rules) had any interest in a business, which competes or may compete with the business of the Company or any of its subsidiaries.

EXPERT AND CONSENT

The qualification of the expert who has given opinion in this circular is as follows:

Name	Qualification
RSM Nelson Wheeler	Certified Public Accountants

As at the Latest Practicable Date, RSM Nelson Wheeler has no shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and has no direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2007, being the date on which the latest published audited accounts of the Company were made up.

RSM Nelson Wheeler has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which they respectively appear.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

(a) the share subscription agreement dated 18 June 2007 entered into between Time Creation Group Limited (a wholly-owned subsidiary of the Company) and Global On-Line in relation to the subscription of 5,100 new shares in Global On-Line, representing 51% of the enlarged entire issued share capital of Global On- Line, details of which is set out in the announcement of the Company dated 18 June 2007 and the letter from the Board in this circular;

(b) the share subscription agreement dated 11 July 2007 entered into between High Focus Group Limited (a wholly-owned subsidiary of the Company) and Long Capital in relation to the subscription of 5,100 new shares in Long Capital, representing 51% of the entire issued share capital of Long Capital as enlarged by the new shares. Long Capital is the legal and beneficial owner of the entire issued share capital of Challenger. A summary of the terms of the share subscription agreement is set out in the announcement of the Company dated 13 July 2007 and the letter from the Board in this circular; and

(c) the Sale and Purchase Agreement.

GENERAL

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company is at 3rd Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong.

(c) The share registrar and transfer agent of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary, qualified accountant and compliance officer of the Company is Ms. Wong Ching Ngor. She is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant.

(e) 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 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.

Mr. Liew Swee Yean, aged 43, joined the Group in November 2006. Mr. Liew is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Liew holds a Master of Business Administration (Executive) Degree from the City University of Hong Kong. He has been an independent non-executive director of Byford International Limited, a company listed on the GEM of the Stock Exchange from 28 March 2006 to 7 September 2007. Mr. Liew is also an executive director of Autism Recovery Network Limited and a director of business development of eBroker Systems Limited.

Mr. Siu Siu Ling, Robert, aged 55, joined the Group in December 2002 and is a partner of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu has been an executive director of Maxx Bioscience Holdings Limited until 28 June 2006 and is now an independent non-executive director of Incutech Investments Limited, both of which are listed on the Main Board of the Stock Exchange. Mr. Siu holds a bachelor degree in laws and a postgraduate certificate in laws. He has been a solicitor of Hong Kong since 1992 and has been admitted as solicitor of England and Wales since 1993. His practice is mainly in the field of commercial and corporate finance.

Dr. Wong Yun Kuen, aged 50, joined the Group in September 2004. He holds a Ph.D. degree from Harvard University and was the "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in the financial industries in the United States and Hong Kong for many years, and has over 10 years of experience in corporate finance, investment and derivative products. He is a member of Hong Kong

Securities Institute. Dr. Wong is an executive director of UBA Investments Limited, and an independent non-executive director of Grand Field Group Holdings Limited, Harmony Asset Limited, Golden Resorts Group Limited, Bauhaus International (Holdings) Limited, Tak Shun Technology Group Limited, Poly Investments Holdings Limited, Kong Sun Holdings Limited, Climax International Company Limited and Prosticks International Holdings Limited. Dr. Wong has been an independent non-executive director of Haywood Investments Limited until 7 July 2005. All the aforesaid companies are listed on the Main Board of the Stock Exchange.

(f) In any event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 5:00 p.m. at the head office and principal place of business of the Company in Hong Kong at 3rd Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong from the date of this circular up to and including 14 days thereafter:

(a) the memorandum of association of the Company and the Articles;

(b) the annual reports of the Company for each of the two years ended 31 March 2007;

(c) the accountants' report of the Company, the text of which is set out in Appendix I to this circular;

(d) the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(e) the letters from RSM Nelson Wheeler setting out their opinions on the audited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(f) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(g) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix; and

(h) the circulars of the Company which have been issued since 31 March 2007.

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8203)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Ultra Group Holdings Limited (the "Company") will be held at 3rd Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong on Tuesday, 16 October 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

"**THAT:**

(i) the sale and purchase agreement dated 20 August 2007 and the supplemental agreement dated 14 September 2007 (collectively, the "Sale and Purchase Agreement", copies of which have been produced at the meeting and marked "**A**" and signed by the chairman of the meeting for the purpose of identification) entered into between the Company as seller, STEELCASE ASIA PACIFIC HOLDINGS LLC as purchaser and STEELCASE INC. as guarantor in relation to the sale and purchase of the entire issued share capital of Ultra Group Company Limited, a wholly-owned subsidiary of the Company, for a cash consideration of US$13.28 million, subject to the financial adjustments as described in the circular to the shareholders of the Company dated 28 September 2007, and the transactions contemplated under or in connection with the Sale and Purchase Agreement, be and are hereby approved, ratified and confirmed; and

(ii) any one Director be and is hereby authorized to do all things and execute all documents which may in his or her opinion be necessary or desirable in connection with the Sale and Purchase Agreement, the Disposal and/or any other matter(s) relating thereto."

By order of the Board
Ultra Group Holdings Limited
Wong Ching Ngor
Company Secretary

Hong Kong, 28 September 2007

Head office and principal place of business in Hong Kong:
3rd Floor, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company but must attend the meeting in person to represent the member of the Company.

2. In order to be valid, a form of proxy must be deposited at the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806 & 1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. Completion and delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.

4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as it he/she/it were solely entitled thereto. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.