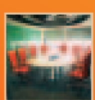
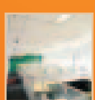
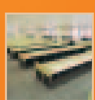
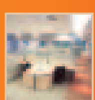
ULTRA GROUP HOLDINGS LIMITED
歐 美 集 團 控 股 有 限 公 司

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

Stock Code: 8203 股票代號：8203

2006 Annual Report 年報

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Ultra Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Cho Yuen Yi, Wendy, *Chairman*
Ms. Wong Ching Ngor

Independent Non-executive Directors

Mr. Kong Tze Wing
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen

QUALIFIED ACCOUNTANT

Ms. Wong Ching Ngor, *CPA, FCCA*

COMPANY SECRETARY

Ms. Wong Ching Ngor, *CPA, FCCA*

AUDIT COMMITTEE

Mr. Kong Tze Wing, *Committee Chairman*
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen

REMUNERATION COMMITTEE

Dr. Wong Yun Kuen, *Committee Chairman*
Ms. Wong Ching Ngor, *Committee Secretary*
Ms. Cho Yuen Yi, Wendy
Mr. Kong Tze Wing
Mr. Siu Siu Ling, Robert

AUTHORISED REPRESENTATIVES

Ms. Cho Yuen Yi, Wendy
Ms. Wong Ching Ngor, *CPA, FCCA*

AUDITORS

RSM Nelson Wheeler

LEGAL ADVISOR

F. Zimmern & Co.

COMPLIANCE ADVISER

Deloitte & Touche Corporate Finance Limited

COMPLIANCE OFFICER

Ms. Wong Ching Ngor, *CPA, FCCA*

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

3rd Floor Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

WEBSITE

www.ultrafurniture.net

GEM STOCK CODE

8203

FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out as below:

RESULTS

	Year ended 31 March				
	2006 *HK$'000*	2005 *HK$'000*	2004 *HK$'000*	2003 *HK$'000*	2002 *HK$'000*
Turnover	252,032	161,635	91,950	118,715	118,353
Profit/(loss) before taxation	20,971	3,052	(9,089)	19,795	14,912
(Taxation)/taxation credit	(23)	55	455	(905)	(378)
Profit/(loss) attributable to shareholders	20,948	3,107	(8,634)	18,890	14,534

ASSETS AND LIABILITIES

	As at 31 March				
	2006 *HK$'000*	2005 *HK$'000*	2004 *HK$'000*	2003 *HK$'000*	2002 *HK$'000*
Total assets	108,129	70,096	52,073	58,801	52,107
Total liabilities	(70,529)	(53,975)	(39,059)	(51,869)	(53,246)
Shareholders' funds/(deficit)	37,600	16,121	13,014	6,932	(1,139)

Notes:

1. The results of the Group for the two years ended 31 March 2002 and 31 March 2003 had been prepared on a combined basis to indicate the results of the Group as if the Group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The figures for the two years ended 31 March 2002 and 31 March 2003 have been extracted from the Company's Prospectus dated 31 December 2003.

2. The Company was incorporated in the Cayman Islands on 29 July 2002 and became the holding company of the Group with effect from 20 January 2004 as a result of the group reorganisation, details of which are set out in the Company's Prospectus dated 31 December 2003.

CHAIRMAN'S STATEMENT

RESULTS

This year represented an encouraging year with steady growth for the Group. The Group recorded a net profit attributable to shareholders of approximately HK$20.9 million for the year ended 31 March 2006. These figures reflect a steady growth in awareness of Ultra brand name during the year and brought the Group to a new dimension. We are very optimistic about the Group's prospect for the coming years.

BUSINESS REVIEW

The Group's business has continued to grow steadily in spite of the competitive environment of the office furniture market. One of the determining factors behind the Group's growth is the sound performance of dealership business. The Group continued to pay increased efforts to review dealer performance and to identify quality dealers to enhance market penetration in other untapped markets and strengthen network establishment in Pakistan, India and the Philippines. During the year under review, the overseas turnover represented relatively high proportion of the Group's turnover at 18.7% as compared to 9.5% in last year. The Group also endeavours to identify new market opportunities by building up dealership networks in other untapped markets such as Japan and Korea.

This challenging year has given the Group confidence and enthusiasm to further strengthen its organizational structure by reinforcing the corporate service team in each sales office to deliver customized furnishing solutions to multinational corporate clients. In the Asia Pacific region, the regional setting is proven to be successful for us to develop a portfolio of sizable clienteles. In view of the competitive market environment of import furniture, the Group has leveraged expertise from furniture veterans in the furniture industry to set up a premier team to formulate marketing strategies to drive distribution performance of import brands, including European-brand Vitra and New Zealand-brand Formway.

In order to enhance the Group's market potential and maintain its product competitiveness, the Group continues to devote resources to establish the product design department to incorporate research and development insight in market-oriented requirements. After the setting up of a call centre in Guangzhou to provide customers with "One-point Contact" customer service, campaign has been launched through distribution of Service Quality Questionnaires for customers to provide a channel for feedback on our service level.

PROSPECTS

Looking ahead, the Group expects that the strong economic growth momentum in Hong Kong, arising from the liberalization on trade in goods and services under the Closer Economic Partnership Arrangement, and in the People's Republic of China (the "PRC"), riding on its robust growth arising from the forthcoming world-renowned events in the PRC such as the 2008 Olympic Games in Beijing and the 2010 World Expo in Shanghai, will continuously present us with ample business opportunities in the forthcoming years.

In the coming two years, Beijing is in preparation for the 2008 Olympic Games, and the capital city will undergo construction of high-rise office premises in the Central Business District (the "CBD") under PRC's municipal plan formulated in 2001 to transform the area into Beijing's center for finance, telecommunications and media and a magnet for multinational companies and foreign investments. With the surge of CBD office market in Beijing, the Group is confident that business opportunities in the CBD will continue to prosper as foreign financial institutions and Fortune 500 companies are tapping the prime locations to capitalize market opportunities. In addition to the CBD, the supply of new office premises in the Zhongguancun Science Park Area is estimated to reach 140,000 sq.m.[1] The abundant office space and substantial labour supply from nearby universities provide an ideal environment for multinational corporations to set up offices in the Zhongguancun Science Park.

Since the designation of the Pudong development zone as the new financial centre of Shanghai in the mid 90's, a significant number of relocations of major financial institutions have taken place due to its rapid infrastructure and transportation development[2]. From a macro market review, the PRC's openness to foreign direct investment financial institutions by 2006 will attract a higher demand for premium office premises as foreign financial institutions increase their presence in a bid to secure a larger market share[3] in the PRC.

In view of the promising economic growth coupled with government policies, the Group believes that the remarkable economic upcycle will facilitate us to proliferate business platform to capture market opportunities in the foreseeable future.

From a global outlook, the Group will consistently adhere to our business objective to pave the way to be the best office furniture company in Asia. The Group will strengthen its product development capabilities and enhance customer satisfaction to consolidate our brand position in the office furniture market.

APPRECIATION

On behalf of the Board, I would like to acknowledge the enormous contribution that our staff have made to the Group's success during the year under review. The diligence, unceasing efforts and persistence that our staff have contributed were an indispensable driver of the Group. I would also like to express our sincere gratitude to our shareholders, customers, suppliers and bankers for their continuous support. We are committed to expanding our business to achieve a leading position in the office furniture industry and bringing better returns to our shareholders.

Cho Yuen Yi, Wendy
Chairman

Hong Kong, 21 June 2006

[1] Ma, Alan "Beijing Office Market Brief Q4 2005" DTZ Research. (2006)

[2] Kalifa, Anna; Li, Ivy; Hart, Michael "Corporate Occupiers Guide China" Jones Lang LaSalle Research (2005)

[3] "Shanghai Office Market Overview" from "Colliers International Quarterly Research Report" Colliers International Research (2006)

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with our financial statements together with the accompanying notes included in this annual report. The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong.

FINANCIAL REVIEW

The Group has a thrilling financial performance for the year ended 31 March 2006.

The Group's turnover for the year ended 31 March 2006 was approximately HK$252.0 million, which represented an increase of approximately 55.9% as compared to the turnover of approximately HK$161.6 million for the year ended 31 March 2005. The turnover derived from the operations of the Group in Hong Kong, the PRC and overseas markets accounted for approximately 31.4%, 49.9% and 18.7% of the Group's turnover respectively for the year ended 31 March 2006, as compared to those of approximately 30.8%, 59.7% and 9.5% for last year. The Board considers that such increase in overseas sales is consistent with the Group's long term strategy to expand its dealership business in overseas markets.

Notwithstanding the pressure of the rising production costs and the overall volatility of raw materials and transportation costs, the Group has maintained its gross profit margin at approximately 35.1% for the year ended 31 March 2006 as compared to that of approximately 35.2% last year. During the year under review, there was continuous increase in the costs of raw materials such as particle board, metals, aluminum, steel, oil by-products, chemicals and paintings. In view of the competitive market environment, the Group has absorbed such additional cost without shifting the burden to customers during the year under review given the Group's continuous effort in maintaining long term relationship with its customers. To maintain its profitability, the Group has continuously reviewed its cost structure and has endeavoured to source alternative suppliers in order to improve the material efficiency in the production process. As a result, the adverse effect resulting from the price increase in raw materials was reduced by the efficiency gained by the Group from the enlarged scales of production resulting from the sales growth during the year.

For the year ended 31 March 2006, the total operating expenses increased by approximately 26.6% as compared to that for the year ended 31 March 2005. The higher operating expenses were mainly attributable to the increase in staff costs resulting from the significant increment in sales. Moreover, the percentage of total expenses to sales remained relatively low for the current year as compared to that of the previous year. Nevertheless, the additional staff costs incurred enabled the Group to form a stronger support team, together with the increased expenditure on product development, 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$20.9 million for the year ended 31 March 2006 (2005: HK$3.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2006, the Group's bank and cash balances amounted to approximately HK$27.9 million (2005: HK$19.8 million). The Group's bank overdrafts, short term bank loans and obligations under finance leases amounted to approximately HK$7.4 million (2005: HK$11.3 million). These borrowings are denominated in Hong Kong dollars, United States dollars and Renminbi and are repayable within one year and bear interest at prevailing market rates.

The Group's long term liabilities, which comprised bank loans and obligations under finance leases repayable in two to five years amounted to HK$0.8 million (2005: HK$0.7 million). These bank loans and finance leases bear interest at prevailing market rates and are denominated in Hong Kong dollars.

As at 31 March 2006, the Group has been granted banking facilities in the aggregate amount of HK$18.2 million (2005: HK$14.4 million) of which HK$11.1 million (2005: HK$13.2 million) were utilized and were secured by pledge of Group's fixed deposits, corporate guarantees and legal charge on the prepaid land lease payments and the buildings owned by the Group in the PRC.

GEARING RATIO

The Group's gearing ratio as at 31 March 2006, representing the ratio of the Group's total liabilities over the Group's total assets, was 0.65 (2005: 0.77).

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company for the year ended 31 March 2006. Up to the year ended 31 March 2006, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders as at 31 March 2006 was approximately HK$37.6 million (2005: HK$16.1 million).

FOREIGN EXCHANGE EXPOSURE

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

TAXATION

Details of the treatment of the Company's taxation for the year ended 31 March 2006 are set out in note 8 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON GROUP'S ASSETS

Some of the Group's assets are pledged to banks as security for general banking facilities granted to the Group. As at 31 March 2006, the assets of the Group pledged to banks included bank deposits in the aggregate amount of approximately HK$3.5 million (2005: HK$5.0 million) and the legal charge on the prepaid land lease payments and the buildings owned by the Group in the PRC.

HUMAN RESOURCES

As at 31 March 2006, the Group had approximately 892 (2005: 835) employees in the PRC and approximately 103 (2005: 80) staff in Hong Kong. The Group continues to employ, promote and reward its staff with reference to their performance and experience. The Group also consistently adopts a policy of human resources enrichment, and provides training programme to its employees. In addition to their basic salaries, the Group's employees also enjoy other fringe benefits such as provident fund. Management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality.

The total staff costs, including Directors' emoluments, amounted to approximately HK$35.5 million (2005: HK$27.9 million) for the year under review.

CONTINGENT LIABILITIES

As at 31 March 2006, the Group had contingent liabilities in respect of bills of exchange discounted to a bank with recourse amounted to HK$Nil (2005: HK$1.3 million).

LITIGATION

As at 31 March 2006, the Company had no significant pending litigation.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of actual business progress for the period from 1 October 2005 to 31 March 2006 ("Review Period") and the business objectives for the same period as set out in the prospectus of the Company dated 31 December 2003 ("Prospectus").

Business objectives as set out in the Prospectus	Actual business progress in the Review Period
Strengthening of marketing and promotional activities and brand name recognition	
– Advertise and promote the Group's image via advertising in professional magazines and sponsor activities in Hong Kong and the PRC	– The Group has launched a series of brand building campaigns by placing advertisements in premium publications in Hong Kong and the major cities of the PRC.
	– The Group has partnered with Vitra to sponsor the event "Perspective Design Recognition Awards 2006" organized by a renowned publication group.
– Advertise and promote the brand name of Ultra in Vietnam, Cambodia, Myanmar, Laos and Bahrain	– Promotional activities in other overseas countries were postponed.
– Continue to enrich the features and functions of the website	– The Group has continuously enriched the website with new features and functions.
Expansion of sales and distribution network in the PRC	
– Provide training to the Shanghai, Beijing and Guangzhou sales teams; and the existing dealers in the PRC	– Products training programs have been conducting to staff to update, strengthen & refresh their products knowledge & know-how while management workshops on sales presentation skills, etc., have also been held regularly. It is intended to further enhance the effect by adding more role plays, case studies & self-study packs.
– Appoint approximately eight to ten dealers from the selected major PRC cities. Travel to these cities to arrange marketing events and print marketing materials for them	– A consolidation has been made to all the PRC dealers in order to strengthen their order taking ability. The Business Development Managers frequently travelled to work closely with the dealers and to have a better understanding of the local market.

COMPARISON OF BUSINESS PROGRESS AND USE OF PROCEEDS

Business objectives as set out in the Prospectus	Actual business progress in the Review Period
Expansion of sales and distribution network in the overseas markets	
– Appoint dealers in Sri Lanka, Oman and Qatar. Travel to these cities to arrange marketing events and print marketing materials for them	– The Group considered the market potential of other South Asia countries such as Cambodia, Myanmar, Laos, Oman, Qatar and Bahrain to be not optimistic, so the Group did not appoint any new dealer in these countries and the marketing activities in these countries were at a minimal level.
Enhancement of the Group's existing products and the launch of new products	
– Official launch of new panel system	– With the launch of the OEM manufactured New Zealand design brand "FREE & GRID" in last year, the Group is proceeding to the second phase to launch the GRID 2 screen in the coming year.
	– The Group had some enhancement in the compatibility of its current panel systems STARBASE & CYBASE. Both panel systems are compatible in fitting in the same workstation cubicle. The workstation's space planning, functionality on wirings were further modified and enhanced. This also added the customer value in the price competitiveness. The Group has planned to launch an enhanced version of STARBASE to further improve its functionality for a workstation.
– Software launch of new desking systems	– The Group is working with some product designers and design house to prepare for the launch of different variety of new products which covered seating, desking and panels.
– Enhance the features of the new desking systems	– Modifications of the base for the desking system has been made and the respective toolings are in progress which serve as a foundation of the future development and the features enhancement that is undergoing a design stage of the new desking system.

COMPARISON OF BUSINESS PROGRESS AND USE OF PROCEEDS

USE OF PROCEEDS FROM THE GROUP'S INITIAL PUBLIC OFFERING ("IPO")

The net proceeds from the IPO, after deduction of expenses payable by the Company, were approximately HK$13.85 million.

During the period from 20 January 2004 (date of listing) to 31 March 2006, the Group has applied the following amount to achieve the business objectives as set out in the Prospectus:

	As budgeted in the Prospectus up to 31 March 2006 *HK$'000*	**Actual amount utilised up to 31 March 2006** *HK$'000*
Strengthening of marketing and promotional activities and brand name recognition	5,000	4,937
Expansion of sales and distribution network in the PRC and overseas markets	5,000	3,055
Enhancement of Group's existing products and the launch of new products	3,000	2,951
General working capital	850	850
Total	13,850	11,793

Notes:

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied with reference to the actual development of the market.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Cho Yuen Yi, Wendy, aged 37, is one of the founders and the Chairman of the Group. Ms. Cho graduated from New York University in the United States and holds a bachelor degree of Arts in Economics and East Asian Studies. She has over 13 years of experience in office furniture industry in the Asia Pacific region. Ms. Cho is responsible for the overall corporate direction, strategic vision, key operation decision and guiding the Group in pursuit of its corporate business objectives. She is also responsible for the Group's business development and corporate communication strategies. Ms. Cho was accredited as one of the Innovative Entrepreneurs of the Year in 1996 by DSCI (國際傑人會港澳總會及中小型企業聯合會), one of the Young Industrialists of Hong Kong 2003 by Federation of Hong Kong Industries (香港工業總會), and Young Achiever of the Year for Women of Influence Awards 2003 by the American Chamber of Commerce in Hong Kong and International Women's Forum Hong Kong.

Ms. Wong Ching Ngor, aged 39, joined the Group in June 2003 and is the Chief Financial Officer and company secretary of the Group. Ms. Wong 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. She graduated from Hong Kong Polytechnic University with a professional diploma in Accountancy. Ms. Wong has over 15 years of experience in audit, accounting and finance with a strong background in manufacturing and trading field. She has been the audit manager in one of the largest international accounting firms in Hong Kong. She has worked in various multinational corporations and listed companies to oversee the finance functions in Hong Kong and the PRC.

Independent Non-executive Directors

Mr. Kong Tze Wing, aged 54, joined the Group in December 2002 and is a fellow member of the Association of Chartered Certified Accountants since 1985 and became a fellow member of Hong Kong Institute of Certified Public Accountants in 1995. Mr. Kong was admitted as an Associate of The Institute of Chartered Accountants in England and Wales on 1 October 2004. He is the Vice President and Chairman of the Mainland Affairs Committee of Hong Kong Institute of Accredited Accounting Technicians as well as the Hon. President of the Institute of Financial Accountants in Hong Kong. Mr. Kong has been a Certified Public Accountant (Practising) since 1981. He holds a first bachelor degree in Accounting and a second bachelor degree in Business Administration. He is a sole practitioner of the firm Messrs. James T. W. Kong & Co., Certified Public Accountants. Mr. Kong is also the independent non-executive director of Incutech Investments Limited, a company listed on the Main Board of the Stock Exchange. Mr. Kong is an active participant in community services and is currently an elected District Council member. Mr. Kong was awarded the medal of honour in July 2002 by the Hong Kong SAR Government.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Siu Siu Ling, Robert, aged 54, joined the Group in December 2002 and is a sole practitioner of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu is an executive director of Maxx Bioscience Holdings Limited and an independent non-executive director of Incutech Investments Limited, both companies 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 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 48, joined the Group in September 2004. Dr. Wong received a Ph.D. Degree from Harvard University. 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, Master Financial Professional and Fellow of American Academy of Financial Management and Certified E-Commerce Consultant of the Institute of E-Commerce Consultant, U.S.A.. Dr. Wong is an executive director of UBA Investments Limited, and an independent non-executive director of Grand Field Group Holdings Limited, Poly Investments Holdings Limited, Harmony Asset Limited, Golden Resorts Group Limited and Bauhaus International (Holdings) Limited. Dr. Wong was an independent non-executive director of Haywood Investments Limited until July 7, 2005. All the aforesaid companies are listed on the Main Board of the Stock Exchange.

Senior Management

Mr. Ng Kit Hang, aged 40, is the Chief Production Officer of the Group. Mr. Ng joined the Group in July 1998 and is responsible for overseeing the day-to-day operations of the production plant. Mr. Ng possesses over 14 years of operations experience in the office furniture industry, including project management, production, quality control and warehouse management. Mr. Ng graduated from the University of East Asia in Macau with a bachelor degree in Business Administration.

Mr. Tam Yiu Fai, aged 50, is the Chief Sales & Marketing Officer. Mr. Tam joined the Group in June 1999 and is responsible for overseeing all the sales functions of the Group including direct sales, overseas and PRC dealership business, corporate services, corporate communications and customer relations, etc.. Mr. Tam holds a bachelor degree in Business Administration from the Chinese University of Hong Kong, and has over 20 years experience in export sales, marketing and management.

Mr. Leung Kai Chuen, aged 37, is the Deputy Chief Operations Officer of the Group. Mr. Leung joined the Group in November 2000 and is responsible for overseeing the implementation of policy and the management of operation team of all branches in the Group. Mr. Leung holds a bachelor degree in Business Administration from the Chinese University of Hong Kong. He has been working in the shipping and manufacturing industries since his graduation and has over 15 years experience in sales, marketing and operation.

Mr. Lui Wing Sang, aged 44, is the Regional Sales Director of Southern China Region. Mr. Lui joined the Group in August 2002. Before joining the Group. Mr. Lui had worked for a number of multinational companies with exposure to different industries, and at senior management levels as general sales manager, general manager and director. Mr. Lui holds a master degree in Business Administration from the University of New England and has over 15 years experience in customer service, sales and marketing.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Gu Guo Guang, aged 33, is the Sales Director of Shanghai branch. Mr. Gu has over 10 years sales and marketing experience in the office furniture business and has a good understanding of the Shanghai market. Mr. Gu joined the Group since April 1998 and in-charge of our Shanghai sales team to develop our Shanghai market and eastern China markets.

Mr. Anders Borch Gregersen, aged 34, is the Corporate Services Director of the Group. Mr. Gregersen joined the Group in February 2004 and is responsible for the relationship building, networking & business development among multinational corporations. Mr. Gregersen holds a Bachelor degree in Marketing from Hilleroed Business School. He has over 10 years of experience in international sales & marketing in the furniture industry.

Mr. Wong Chung Ming, David, aged 45, is the Group Human Resources & Administration Director. Mr. Wong joined the Group in September 2004 and is responsible for all human resources functions, administrative support works & policy making issues. Mr. Wong holds a bachelor degree in Commerce from the Curtin University of Technology and a Graduate Diploma in Human Resources Management. He has over 15 years of experience in human resources management & development with multinational conglomerates.

Mr. Li Wei, aged 36, is the Plant Manager of the factory operated by Zhaoqing Ultra Furniture Company Limited. Mr. Li joined the Group in May 1992 and is primarily responsible for factory management and government relations. Mr. Li holds a diploma in Business Management from Guangxi Economic College. He has over 15 years of experience in managing manufacturing plants.

The directors of the Company ("Directors") submit their report together with the audited financial statements for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 16 to the financial statements.

An analysis of the Group's performance for the year by geographical segments is set out in note 28 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 29.

The Directors do not recommend the payment of a dividend in respect of the current year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the statements of changes in equity on pages 34 to 35.

DONATIONS

The Group has not made charitable and other donations during the year.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL

Particulars of the share capital of the Company are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 March 2006 amounted to HK$7,218,907 (2005: HK$8,183,293). Under Section 34 of the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company (the "Articles") and no distribution shall be paid to shareholders out of the share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the shares of the Company (the "Shares") during the year.

PENSION SCHEME

According to the legislation relating to the Mandatory Provident Fund ("MPF"), with effect from 1 December 2000, the Group is required to participate in MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contributions is limited to 5% of HK$20,000 for each eligible employee) as calculated under the MPF legislation.

Employees of the Group in the PRC participate in retirement benefit plans (社會保險基金) and the Group is required to make monthly contributions at rates ranging from 13% to 22% of the employee's basic salary.

SHARE OPTIONS

Share option scheme (the "Scheme") was adopted by the shareholders of the Company by way of written resolution passed on 9 December 2003. Details of the Scheme are as follows:

The principal purpose of the Scheme is to enable the Company to grant options to subscribe for Shares ("Options") to the following eligible persons as incentives or rewards for their contributions to the Group:

(1) any full time employee or director of any member of the Group;

(2) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which a grant of the Option is offered to such part time employee; or

(3) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

The total number of Shares which may be issued upon exercise of all Options granted or to be granted under the Scheme is 54,000,000 Shares, representing 10% of the issued share capital of the Company as at the date of approval of the Scheme.

The total number of Shares issued and to be issued upon exercise of the Options granted a participant ("Participant"), being any eligible person who accepted the offer of any Option, under the Scheme in any 12-month period must not exceed 1 per cent of the Shares in issue from time to time unless prior approval obtained from independent shareholders of the Company.

The Option may be exercised in accordance with the terms of the Scheme at any time during the option period. The Scheme does not require a minimum period for which an Option must be held or a performance target which must be achieved before any Option can be exercised. The Board shall be entitled at its absolute discretion to decide the option period subject to the Scheme, which shall not exceed 10 years from the date upon the Option is deemed to be granted and accepted.

Upon acceptance of the Option, the eligible person shall pay HK$1 to the Company as consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is offered to an eligible person.

The subscription price for the Shares upon exercise of the Options will be a price determined by the Board and notified to each Participant and shall be at least the highest of (i) the closing price of the Shares on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Option, which must be a business day; (ii) the average closing price of the Shares on GEM as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of one Share.

The Scheme will remain valid for a period of 10 years commencing on 9 December 2003.

As at 31 March 2006, no Option had been granted or agreed to be granted under the Scheme.

DIRECTORS

The Directors during the year and up to the date of this report were:

Ms. Cho Yuen Yi, Wendy
Ms. Wong Ching Ngor
Mr. Siu Siu Ling, Robert*
Mr. Kong Tze Wing*
Dr. Wong Yun Kuen*

* Independent non-executive Directors

According to Article 87 of the Articles, one-third of the Directors for the time being (or, if the numbers of Directors is not a multiple of three (3), the number nearest to but not greater than one-third), other than a Director holding office as chairman of the Board and/or the managing director, shall retire at each annual general meeting ("AGM") and shall then be eligible for re-election at the AGM.

In accordance with Article 87 of the Articles, Mr. Kong Tze Wing will retire from office by rotation at the forthcoming AGM, and being eligible, offer himself for re-election at the forthcoming AGM.

The Company has received from each of Mr. Siu Siu Ling, Robert, Mr. Kong Tze Wing and Dr. Wong Yun Kuen an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a Director's Service Contract with the Company with no fixed term beginning on 1 January 2004. The contracts may be terminated by either party thereto giving to the other not less than three months' prior notice in writing.

The term of office for each of Mr. Siu Siu Ling, Robert, Mr. Kong Tze Wing and Dr. Wong Yun Kuen is for a term of one year and may be extended for such period as agree in writing by the Directors concerned and the Company. Currently, Mr. Siu Siu Ling, Robert and Mr. Kong Tze Wing have been appointed as independent non-executive Directors up to 31 December 2006 while Dr. Wong Yun Kuen has been appointed up to 29 September 2006.

Save as disclosed above, none of the Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Details of the Directors' emoluments are set out in note 12 to the financial statements.

DIRECTORS' REMUNERATION

The Directors' remunerations are recommended by the Remuneration Committee of the Company with reference to directors' duties, responsibilities and performance and the results of the Group.

REMUNERATION COMMITTEE

The Company has a remuneration committee which was established on 30 March 2006 in compliance with the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules for the purpose of making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Company. The Remuneration Committee comprises three independent non-executive Directors and two executive Directors.

COMPLIANCE ADVISER'S INTERESTS

As at 31 March 2006, neither Deloitte & Touche Corporate Finance Ltd. ("DTCF") nor its directors, employees or associates, as defined in the GEM Listing Rules, had any interest in the securities of the Company or right to subscribe for or to nominate person to subscribe for securities of the Company.

Pursuant to the sponsor agreement dated 19 January 2004 which was entered into between the Company and DTCF, DTCF was appointed as the compliance adviser of the Company as required under the GEM Listing Rules at a fee for the period commencing from 20 January 2004 to 31 March 2006 or until the agreement is terminated upon the terms and conditions set out therein. The appointment of DTCF as the compliance adviser of the Company has been extended from 31 March 2006 to 30 June 2006 by mutual agreement between the parties.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

No connected transaction discloseable under the GEM Listing Rules has been entered into by the Group during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

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

As at 31 March 2006, the interests and short positions of the Directors and the chief executives in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules were as follows:

Interests in the Shares

Name of Director	Capacity	No. of Shares	*Notes*	Percentage of shareholding
Ms. Cho Yuen Yi, Wendy	Interest of controlled corporations	199,057,500 (Long position)	1, 2 & 3	36.86%

Notes:

1. These Shares are held as to 22,882,500 Shares by Huge Mars International Limited and 176,175,000 Shares by Excel Formation Limited respectively.

2. Huge Mars International Limited is wholly owned by Ms. Cho Yuen Yi, Wendy 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 owned as to 50% by Ms. Cho Yuen Yi, Wendy and 50% by Mr. Cho Chun Man, each of whom is deemed to be interested in the 176,175,000 Shares held by Excel Formation Limited under the SFO.

Save as disclosed above, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules as at 31 March 2006.

REPORT OF THE DIRECTORS

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

As at 31 March 2006, the interests and short positions of substantial shareholders (other than the Directors and chief executives of the Company) in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity	No. of Shares	*Notes*	Percentage of shareholding
Excel Formation Limited	Beneficial owner	176,175,000 (Long position)	1 & 4	32.63%
Gold Master Business Limited	Beneficial owner	81,000,000 (Long position)	2	15.00%
Mr. Chan Pak Hung	Interest of a controlled corporation	81,000,000 (Long position)	2	15.00%
Mr. Chan Pat Leung	Interest of a controlled corporation	81,000,000 (Long position)	2	15.00%
Mr. Cho Chun Man	Interest of a controlled corporation	176,175,000 (Long position)	3 & 4	32.63%

Notes:

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

2. Gold Master Business Limited is owned as to 50% by Mr. Chan Pak Hung and 50% by Mr. Chan Pat Leung. Each of Mr. Chan Pak Hung and Mr. Chan Pat Leung is deemed to be interested in the 81,000,000 Shares held by Gold Master Business Limited under the SFO.

3. These 176,175,000 Shares are held by Excel Formation Limited.

4. Excel Formation Limited is owned as to 50% by Ms. Cho Yuen Yi, Wendy and 50% by Mr. Cho Chun Man, each of whom is deemed to be interested in the 176,175,000 Shares held by Excel Formation Limited under the SFO.

Save as disclosed above, as at 31 March 2006, no person had registered an interest or short position in the Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	12.6%
– five largest suppliers combined	41.7%
Sales	
– the largest customer	5.4%
– five largest customers combined	18.9%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers mentioned above.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code of Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules throughout the year ended 31 March 2006, except for the deviations from Code Provision A.1.3, A.2.1, A.4.2 and B.1.1. Details of compliance are set out in the Corporate Governance Report on pages 23 to 27.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2006. The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

The Company has established an audit committee on 9 December 2003 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The written terms of reference which describe the authority and duties of the audit committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

REPORT OF THE DIRECTORS

The audit committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit, internal controls and risk evaluation. The audit committee comprises three independent non-executive Directors, namely Mr. Siu Siu Ling, Robert, Dr. Wong Yun Kuen and Mr. Kong Tze Wing, and Mr. Kong Tze Wing is the chairman of the audit committee.

During the year, the audit committee held four meetings to review and supervise the financial reporting process. The annual results have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates (as defined in GEM Listing Rules), had any interests in any business which compete or may compete with the Group or any other conflicts of interest which any such person may have with the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles and there are no restrictions against such rights under the laws in the Cayman Islands.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 16 to the financial statements.

AUDITORS

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be proposed at the forthcoming AGM.

There has been no change of auditors of the Company since its incorporation.

For and on behalf of the Board
Cho Yuen Yi, Wendy
Chairman

Hong Kong, 21 June 2006

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance that properly protect and promote the interest of its shareholders.

The Company has complied with all the code provisions (save for Code Provision C.2 on Internal Controls which is not applicable until the next financial year) set out in Appendix 15, Code on Corporate Governance Practices (the "Code") of the GEM Listing Rules throughout the year ended 31 March 2006, except for the deviations from Code Provisions A.1.3, A.2.1, A.4.2 and B.1.1 which are explained in the following relevant paragraphs. The Company has taken rectification action to comply with the Code Provisions A.1.3 and B.1.1 in the second half of the year ended 31 March 2006.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2006. The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealings under the GEM Listing Rules and its code of conduct regarding securities transactions by Directors.

THE BOARD OF DIRECTORS

Composition of the Board of Directors (the "Board")

As at 31 March 2006, the Board comprised five Directors, including two executive Directors, namely Ms. Cho Yuen Yi, Wendy and Ms. Wong Ching Ngor, and three independent non-executive Directors, namely Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen. Ms. Cho Yuen Yi, Wendy is the Chairman of the Board. One of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 12 to 14 of this annual report.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of one year, which may be extended for such period as agreed in writing between the Director concerned and the Company.

There is no financial, business, family or other material or relevant relationship among the Directors.

Independent Non-executive Directors

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all the independent non-executive Directors meet the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules and considers that they are independent.

CORPORATE GOVERNANCE REPORT

Role and Function of the Board

The principal role of the Board is to formulate the operational strategies and establish an internal control system together with a high standard of corporate governance to ensure proper management of the Company. The day-to-day operational matters of the Group are delegated by the Board to the management.

Board Meeting

Four Board meetings were held at approximately quarterly intervals during the year ended 31 March 2006. The Board meetings involved the active participation of the Directors either in person or through other electronic means of communication.

The Code Provision A.1.3 stipulates that notice of at least 14 days should be given to the Directors of a regular meeting. During the period from 1 April 2005 to 30 September 2005, two regular Board meetings were held and were convened by notices of less than 14 days. Nevertheless, all the Directors had attended those two Board meetings. The Company gave 14 days prior notice of two regular Board meetings during the six months period from 1 October 2005 to 31 March 2006.

Attendance of individual Directors at Board meetings during the year ended 31 March 2006 is set out as follows:

Number of Meetings	**4**	
Executive Directors:		
Ms. Cho Yuen Yi, Wendy (Chairman)	4/4	100%
Ms. Wong Ching Ngor	4/4	100%
Independent Non-Executive Directors:		
Mr. Kong Tze Wing	4/4	100%
Mr. Siu Siu Ling, Robert	4/4	100%
Dr. Wong Yun Kuen	4/4	100%
Average attendance rate	100%	

Internal Control

Pursuant to the Code Provision C.2.1, the Board should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in the corporate governance report. Under the transitional arrangement, the said Code Provision C.2.1 will be implemented for accounting periods commencing on or after 1 July 2005. The Company will conduct a review of its internal control system pursuant to the Code Provision C.2.1 in year 2006.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

During the year ended 31 March 2006, Ms. Cho Yuen Yi, Wendy ("Ms. Cho") was the Chairman of the Company and no chief executive officer has been appointed. The responsibilities of chief executive officer have been performed by Ms. Cho. The Directors consider that Ms. Cho possesses in-depth knowledge of the Group and has developed extensive and valuable business network in the industry and therefore can enable the Group to make and implement decisions promptly and efficiently which is beneficial to the business prospects of the Group. The Directors also consider that this structure will not impair the balance of power and authority between the Directors and the management as the Board, which comprises experienced and high calibre individuals, meet regularly to discuss issues in connection with the operations of the Group.

REMUNERATION COMMITTEE

Composition of the Remuneration Committee

The Code Provision B.1.1 stipulates that listed issuers should establish a remuneration committee with specific written terms of reference.

The Company had not established a Remuneration Committee until March 2006. As at 31 March 2006, the Remuneration Committee comprised one Chairman, one secretary and three members, including two executive Directors and three independent non-executive Directors, namely Dr. Wong Yun Kuen, Ms. Wong Ching Ngor, Ms. Cho Yuen Yi, Wendy, Mr. Kong Tze Wing and Mr. Siu Siu Ling, Robert. Dr. Wong Yun Kuen is the Chairman of the Remuneration Committee and Ms. Wong Ching Ngor is the secretary of the Remuneration Committee.

The Board adopted the new terms of reference of the Remuneration Committee in alignment with the mandatory provisions as set out in the Code Provision B.1.3.

Role and Function of the Remuneration Committee

The role and function of the Remuneration Committee included making recommendations to the Board on Company's policy and structure for all remuneration packages of Directors and senior management, establishing formal and transparent procedures for formulating policy on such remuneration packages and determining the specific remuneration packages of all executive Directors and senior management staff of the Company.

CORPORATE GOVERNANCE REPORT

Remuneration Committee Meeting

The Remuneration Committee has held one meeting during the year ended 31 March 2006. During the meeting, the remuneration committee had reviewed and approved the increment in salary, housing allowance and bonus payment for the executive Directors and senior management by way of resolutions passed by all committee members. However, the executive Directors did not participate in determining their own remuneration.

Attendance of individual Directors at the Remuneration Committee meeting during the year ended 31 March 2006 is set out as follows:

Number of Meetings	**1**	
Dr. Wong Yun Kuen (Committee Chairman)	1/1	100%
Ms. Wong Ching Ngor (Committee Secretary)	1/1	100%
Ms. Cho Yuen Yi, Wendy	1/1	100%
Mr. Kong Tze Wing	1/1	100%
Mr. Siu Siu Ling, Robert	1/1	100%
Average attendance rate	100%	

NOMINATION COMMITTEE

The Company does not have a Nomination Committee, and the power to nominate or appoint additional Directors is vested on the Board according to the Articles, in addition to the power of the shareholders of the Company to nominate any person to become a Director in accordance with the Articles and the laws of Hong Kong.

The Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

To ensure full compliance with the Code, special resolutions will be proposed to amend the relevant provisions of the Articles at the coming AGM.

AUDITORS' REMUNERATION

For the year ended 31 March 2006, the Auditors of the Company, RSM Nelson Wheeler, received HK$480,000 for audit services. There was no non-audit service provided by the Auditors.

AUDIT COMMITTEE

Composition of the Audit Committee

The Company has established an Audit Committee in December 2003. The Audit Committee comprises three independent non-executive Directors, namely Mr. Siu Siu Ling, Robert, Dr. Wong Yun Kuen and Mr. Kong Tze Wing. Mr. Kong Tze Wing is the Chairman of the Audit Committee.

A set of written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules has been adopted.

Role and Function of the Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide an important link between the Board and the Company’s auditors on those matters within the scope of the Group’s audit. It also reviews the effectiveness of the external and internal audit and conducts risk evaluation.

Audit Committee Meeting

During the year ended 31 March 2006, the Audit Committee held four meetings to review and supervise the financial reporting process. The Audit Committee has reviewed the quarterly, half-yearly and annual results and system of internal controls. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee also carried out and discharged its other duties as set out in the Code.

Attendance of individual Directors at the Audit Committee meetings during the year ended 31 March 2006 is set out as follows:

Number of Meetings	**4**	
Mr. Kong Tze Wing (Committee Chairman)	4/4	100%
Mr. Siu Siu Ling, Robert	4/4	100%
Dr. Wong Yun Kuen	4/4	100%
Average attendance rate	100%	

DIRECTOR’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement by the Auditors of the Company about their reporting responsibilities is set out on page 28 of this report.

AUDITORS' REPORT

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

TO THE SHAREHOLDERS OF
ULTRA GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 29 to 66 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the Group's results and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong, 21 June 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

	Note	2006 HK$	2005 HK$
Turnover	5	252,032,927	161,634,992
Cost of sales		(163,498,632)	(104,727,747)
Gross profit		88,534,295	56,907,245
Other income	5	1,619,288	778,975
Selling and distribution costs		(28,338,973)	(20,722,302)
Administrative and other operating expenses		(40,385,621)	(33,450,768)
Profit from operations	6	21,428,989	3,513,150
Finance costs	7	(457,606)	(461,088)
Profit before taxation		20,971,383	3,052,062
(Taxation)/taxation credit	8	(23,299)	55,009
Profit for the year attributable to equity holders of the Company	9	20,948,084	3,107,071
Dividends	10	–	–
Basic earnings per share (cents)	11	3.88	0.58

CONSOLIDATED BALANCE SHEET

At 31 March 2006

	Note	2006 HK$	2005 HK$ (restated)
Non-current assets			
Fixed assets	14	13,142,328	11,408,750
Prepaid land lease payments	15	1,362,266	1,379,624
		14,504,594	12,788,374
Current assets			
Inventories	17	11,957,104	9,915,294
Trade and bills receivables	18	50,775,326	24,097,165
Deposits, prepayments and other receivables		2,810,735	2,818,534
Tax recoverable		197,674	635,046
Pledged bank deposits	24(i)	3,521,425	5,040,342
Bank and cash balances	19	24,362,335	14,801,535
		93,624,599	57,307,916
Less: **Current liabilities**			
Trade and bills payables	20	32,167,255	23,625,995
Other payables and accruals		21,430,911	12,492,752
Dividend payables		97,769	379,103
Sales deposits received		8,618,261	5,544,559
Short term borrowings	21	7,116,418	10,903,838
Current portion of long term borrowings	22	317,632	354,124
		69,748,246	53,300,371
Net current assets		23,876,353	4,007,545
Total assets less current liabilities		38,380,947	16,795,919
Non-current liabilities			
Long term borrowings	22	780,875	674,537
NET ASSETS		37,600,072	16,121,382
Capital and reserves			
Share capital	23(a)	5,400,000	5,400,000
Reserves		32,200,072	10,721,382
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		37,600,072	16,121,382

Approved by the Board of Directors on 21 June 2006.

Cho Yuen Yi, Wendy
Director

Wong Ching Ngor
Director

BALANCE SHEET

At 31 March 2006

	Note	2006 HK$	2005 HK$
Non-current assets			
Investments in subsidiaries	16	200,000	6,003,410
Current assets			
Prepayments and other receivables		151,075	182,750
Amounts due from subsidiaries	16	7,886,624	–
Pledged bank deposits	24(i)	3,521,425	5,040,342
Bank balances		3,142,813	3,034,967
		14,701,937	8,258,059
Less: **Current liabilities**			
Accruals		2,283,030	678,176
Net current assets		12,418,907	7,579,883
NET ASSETS		12,618,907	13,583,293
Capital and reserves			
Share capital	23(a)	5,400,000	5,400,000
Reserves		7,218,907	8,183,293
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		12,618,907	13,583,293

Approved by the Board of Directors on 21 June 2006.

Cho Yuen Yi, Wendy
Director

Wong Ching Ngor
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

	Note	2006 HK$	2005 HK$ (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		20,971,383	3,052,062
Adjustments for:			
Depreciation of fixed assets		2,398,290	2,168,720
Amortisation of prepaid land lease payments		37,153	36,627
Loss on disposal of fixed assets		67,867	279,622
Interest expenses		457,606	461,088
Interest income		(214,538)	(24,542)
Operating profit before working capital changes		23,717,761	5,973,577
Increase in inventories		(2,041,810)	(4,422,037)
Increase in trade and bills receivables		(26,678,161)	(11,554,041)
Decrease in deposits, prepayments and other receivables		7,799	529,186
Increase in trade and bills payables		8,541,260	6,479,202
Increase in sales deposits received		3,073,702	3,119,720
Increase in other payables and accruals		8,938,159	1,195,334
Cash generated from operations		15,558,710	1,320,941
Interest paid		(457,606)	(461,088)
Interest received		214,538	24,542
Hong Kong profits tax refund/(paid)		414,073	(715,728)
Overseas income tax paid		–	(4,688)
Net cash generated from operating activities		15,729,715	163,979
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend paid		(281,334)	(201,290)
Purchase of fixed assets		(3,593,535)	(1,246,751)
Proceeds from disposal of fixed assets		–	3,000
Decrease/(increase) in pledged bank deposits		1,518,917	(40,304)
Net cash used in investing activities		(2,355,952)	(1,485,345)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

	Note	2006 HK$	2005 HK$ (restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (repayment)/borrowing of bank loans		(621,958)	5,570,341
Payment of finance leases capital element		(169,522)	(65,950)
Net cash (used in)/generated from financing activities		(791,480)	5,504,391
NET INCREASE IN CASH AND CASH EQUIVALENTS		12,582,283	4,183,025
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		410,245	–
		12,992,528	4,183,025
CASH AND CASH EQUIVALENTS AT 1 APRIL		11,369,807	7,186,782
CASH AND CASH EQUIVALENTS AT 31 MARCH		24,362,335	11,369,807
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		24,362,335	14,801,535
Bank overdrafts-secured	21	–	(3,431,728)
		24,362,335	11,369,807

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 March 2006

Group

	Share capital	Reserves: Share premium (note (i))	Reserves: Merger reserve (note (ii))	Reserves: Foreign currency translation reserve	Reserves: (Accumulated losses)/ 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
Exchange difference arising on translation of foreign operations	–	–	–	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	5,400,000	9,536,387	(122,000)	482,532	22,303,153	37,600,072

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 March 2006

Company

	Share capital	Reserves: Share premium *(note (i))*	Reserves: Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2004	5,400,000	9,536,387	(24,729)	14,911,658
Loss for the year	–	–	(1,328,365)	(1,328,365)
At 31 March 2005 and 1 April 2005	5,400,000	9,536,387	(1,353,094)	13,583,293
Loss for the year	–	–	(964,386)	(964,386)
At 31 March 2006	5,400,000	9,536,387	(2,317,480)	12,618,907

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

The preparation of financial statements in conformity with HKFRS requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 29 to the financial statements.

3. ADOPTION OF NEW AND REVISED HKFRS

In the current year, the Group has adopted all the new and revised HKFRS issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised HKFRS did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior years except as stated below.

3. ADOPTION OF NEW AND REVISED HKFRS (CONTINUED)

The adoption of HKAS 17 Leases has resulted in a change in the accounting policy relating to the reclassification of leasehold land from fixed assets to prepaid land lease payments. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and impairment losses. HKAS 17 has been applied retrospectively.

The adoption of HKAS 17 resulted in changes in the amounts reported in the financial statements as follows:

	2006 *HK$*	2005 *HK$*
Decrease in fixed assets	1,362,266	1,379,624
Increase in prepaid land lease payments	1,362,266	1,379,624

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

4. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

(a) Consolidation

The consolidated financial statements include 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

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 consolidated financial statements are 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 currency 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.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(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.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Fixed assets

Fixed assets are stated at historical 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 financial 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	4.5%
Leasehold improvements	30%
Plant and machinery	9%
Office equipment	15% – 18%
Furniture and fixtures	10%
Moulds	30%
Motor vehicles	18% – 30%

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of the lease, the finance lease is capitalised at the lower of the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

Lease payments are allocated between the capital and finance charges. The corresponding rental obligations, net of finance charges, are recorded as obligations under finance leases. Finance charges are charged to the income statement in proportion to the capital balances outstanding.

(e) 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 appropriation proportion of all production overhead expenditure, and/or, 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.

(f) Trade and other receivables

Trade 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 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 allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the income statement.

(g) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, 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.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) 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. 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.

(i) 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.

(j) 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.

(k) Revenue recognition

Revenues from the sales of manufactured goods are recognised on the transfer of 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.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(n) Taxation

Income tax expense represents the sum of the tax currently payable 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 statements 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 can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or 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 profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(n) Taxation (continued)

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 tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(o) 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, results, 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 represent corporate expenses. Segment assets consist primarily of fixed assets, inventories and trade receivables. Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

Segment revenue, expenses, results, 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.

In respect of business segment reporting, sales are based on the products in each business segment. Total assets and capital expenditure are based on where the assets are located.

(p) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans for the benefit of employees of the Group or of any entity that is a related party of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(q) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets 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 the impairment loss (if any). 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 profit or loss, 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 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 profit or loss, 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 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, provision 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 of 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.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(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 statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes when material.

5. TURNOVER AND REVENUE

The Group is principally engaged in manufacturing and sales of office furniture. Revenues recognised during the year are as follows:

	Group	
	2006	2005
	HK$	*HK$*
Turnover		
Sales of goods	252,032,927	161,634,992
Other income		
Bad debts recovered	–	41,802
Interest income	214,538	24,542
Service income	740,487	619,754
Sundry income	664,263	92,877
	1,619,288	778,975

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

6. PROFIT FROM OPERATIONS

Profit from operations is stated after crediting and charging the following:

	Group	
	2006 *HK$*	2005 *HK$* *(restated)*
Crediting		
Bad debts recovered	–	41,802
Net exchange gains	–	37,046
Charging		
Auditors' remuneration	501,057	484,455
Cost of inventories sold (included net allowance of obsolete inventories)	124,576,480	81,541,531
Depreciation		
– owned assets	2,214,061	2,106,635
– leased assets	184,229	62,085
	2,398,290	2,168,720
Loss on disposal of fixed assets	67,867	279,622
Operating lease rentals in respect of land and buildings	5,470,301	4,569,334
Staff costs (including directors' emoluments *(note 12)*)		
Basic salaries, bonuses, allowances and benefits in kind	32,701,254	25,691,371
Retirement benefits scheme contributions	2,753,257	2,218,575
Allowance for doubtful debts	711,135	7,249
Net exchange losses	479,543	–

7. FINANCE COSTS

	Group	
	2006 *HK$*	2005 *HK$*
Interest on bank loans and overdrafts	435,506	450,810
Finance lease charges	22,100	10,278
	457,606	461,088

8. (TAXATION)/TAXATION CREDIT

(i) (Taxation)/taxation credit in the income statement represents:

	Group	
	2006 *HK$*	2005 *HK$*
Hong Kong profits tax		
– (under)/overprovision in previous years	(23,299)	2,683
PRC enterprise income tax		
– overprovision in previous years	–	52,326
	(23,299)	55,009

No provision for Hong Kong profits tax is required since the Group has sufficient tax losses brought forward to set off against current year's assessable profit for the year. Certain allowable losses of the subsidiaries of the Company incorporated in Hong Kong are yet to be agreed by the Inland Revenue Department.

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

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

8. (TAXATION)/TAXATION CREDIT (CONTINUED)

(iii) The (taxation)/taxation credit on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Group	
	2006 *HK$*	2005 *HK$*
Profit before taxation	20,971,383	3,052,062
Tax at applicable rates of 17.5% (2005: 17.5%)	(3,669,992)	(534,111)
Tax effect of income that is not taxable in determining current year's taxable profits	17,284	96
Tax effect of expenses that is not deductible in determining current year's taxable profits	(19,547)	(20,780)
Tax effect of profits that is exempted from PRC tax authority	2,557,366	1,598,790
Tax effect of unused tax losses not recognised	–	(1,004,531)
Tax effect of utilisation of tax losses not previously recognised	1,224,693	–
Temporary difference not recognised	(109,804)	(39,464)
(Under)/overprovision in previous years	(23,299)	55,009
(Taxation)/taxation credit for the year	(23,299)	55,009

9. PROFIT FOR THE YEAR

The profit for the year attributable to equity holders of the Company includes a loss of HK$964,386 (2005: HK$1,328,365) which has been dealt with in the financial statements of the Company.

10. DIVIDENDS

No dividend have been paid or declared by the Company during the year (2005: HK$Nil).

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company for the year of HK$20,948,084 (2005: HK$3,107,071) and on the weighted average number of 540,000,000 ordinary shares in issue (2005: 540,000,000) throughout the year ended 31 March 2006.

No diluted earnings per share have been presented as the Company did not have any diluted potential ordinary shares during the two years ended 31 March 2006.

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The directors of the Company who are also directors or employees of the subsidiaries comprising the Group received emoluments during the year as follows:

For the year ended 31 March 2006

Name of director	Fees *HK$*	Salaries, allowances and benefits in kind *HK$*	Discretionary bonus *HK$*	Retirement benefits scheme contributions *HK$*	Total emoluments *HK$*
Executive directors					
CHO Yuen Yi, Wendy	–	1,424,903	2,050,600	12,000	3,487,503
WONG Ching Ngor	–	792,000	–	12,000	804,000
Independent non-executive directors					
SIU Siu Ling, Robert	20,000	–	–	–	20,000
KONG Tze Wing	20,000	–	–	–	20,000
Dr. WONG Yun Kuen	20,000	–	–	–	20,000
	60,000	2,216,903	2,050,600	24,000	4,351,503

For the year ended 31 March 2005

Name of director	Fees *HK$*	Salaries, allowances and benefits in kind *HK$*	Discretionary bonus *HK$*	Retirement benefits scheme contributions *HK$*	Total emoluments *HK$*
Executive directors					
CHO Yuen Yi, Wendy	–	1,470,202	388,000	12,000	1,870,202
CHO Chun Man	–	40,000	–	2,000	42,000
WONG Ching Ngor	–	659,904	–	12,000	671,904
Independent non-executive directors					
SIU Siu Ling, Robert	20,000	–	–	–	20,000
KONG Tze Wing	20,000	–	–	–	20,000
Dr. WONG Yun Kuen	20,000	–	–	–	20,000
	60,000	2,170,106	388,000	26,000	2,644,106

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2005: HK$Nil).

No option was granted to any directors under the share option scheme during the year. (2005: Nil)

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For the year ended 31 March 2006

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included two directors (2005: two directors), details of whose emoluments have been disclosed above. The emoluments paid to the remaining non-director, highest paid individuals for the year are as follows:

	Group	
	2006 *HK$*	2005 *HK$*
Basic salaries, bonuses, allowances and benefits in kind	2,807,330	2,795,844
Retirement benefits scheme contributions	54,851	31,866
	2,862,181	2,827,710

The number of the remaining highest paid individuals whose emoluments fell within the following bands are as follows:

	Group	
	2006	2005
HK$Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	1	2
	3	3

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

13. RETIREMENT BENEFITS

According to the Mandatory Provident Fund ("MPF") legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000 the Group is required to participate in MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited to 5% of HK$20,000 for each eligible employee) as calculated under the MPF legislation.

Employees of the Group in the PRC participated in retirement benefit plans (社會保險基金) under which the Group is required to make monthly defined contributions to the plans at rates ranging from 13% to 22% of the employee's basic salary.

14. FIXED ASSETS

Group

	Buildings HK$	Leasehold improvements HK$	Plant and machinery HK$	Office equipment HK$	Furniture and fixtures HK$	Moulds HK$	Motor vehicles HK$	Construction in progress HK$	Total HK$
Cost									
At 1 April 2004									
– as previously reported	7,332,879	3,404,645	4,057,670	5,287,482	3,536,972	1,307,360	424,761	–	25,351,769
– reclassification to prepaid land lease payments upon adoption of HKAS17 *(note 15)*	(1,650,626)	–	–	–	–	–	–	–	(1,650,626)
– as restated	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
Disposal	–	(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
Translation difference	80,449	31,772	74,797	24,940	28,764	–	–	–	240,722
Additions	–	795,250	1,080,734	1,306,893	142,756	1,000	471,334	260,402	4,058,369
Disposal	–	–	(153,855)	(26,056)	–	–	–	–	(179,911)
At 31 March 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
Accumulated depreciation									
At 1 April 2004									
– as previously reported	1,467,285	1,853,337	2,864,489	2,690,208	1,240,308	1,284,629	416,821	–	11,817,077
– reclassification to prepaid land lease payments upon adoption of HKAS17 *(note 15)*	(234,375)	–	–	–	–	–	–	–	(234,375)
– as restated	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
Translation difference	17,740	18,814	47,000	9,446	6,356	–	–	–	99,356
Charge for the year	48,332	617,785	621,277	667,057	295,980	3,531	144,328	–	2,398,290
Written back on disposal	–	–	(97,127)	(14,917)	–	–	–	–	(112,044)
At 31 March 2006	1,427,192	2,994,092	3,848,846	3,545,933	1,740,532	1,307,645	516,591	–	15,380,831
Net book value									
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

14. FIXED ASSETS (CONTINUED)

At 31 March 2006 the net book value of the Group's buildings situated in the PRC were pledged as security for the Group's banking facilities amounted to HK$3,846,000 (2005: HK$3,791,600).

The net book value of plant and machinery and motor vehicles held by the Group under finance leases are as follows:

	HK$
At 31 March 2006	637,717
At 31 March 2005	460,420

15. PREPAID LAND LEASE PAYMENTS

	HK$
Cost	
At 1 April 2004	
– as previously reported	–
– reclassification from fixed assets upon adoption of HKAS 17 *(note 14)*	1,650,626
– as restated	1,650,626
At 31 March 2005 and 1 April 2005	1,650,626
Translation difference	23,683
At 31 March 2006	1,674,309
Accumulated amortisation	
At 1 April 2004	
– as previously reported	–
– reclassification from fixed assets upon adoption of HKAS 17 *(note 14)*	234,375
– as restated	234,375
Charge for the year	36,627
At 31 March 2005 and 1 April 2005	271,002
Translation difference	3,888
Charge for the year	37,153
At 31 March 2006	312,043
Net book value	
At 31 March 2006	1,362,266
At 31 March 2005	1,379,624

At 31 March 2006 the net book value of the Group's prepaid land lease payments of land use rights situated in the PRC held under medium term leases for 45 years expiring in 2042 was pledged as security for the Group's banking facilities amounted to HK$3,846,000 (2005: HK$3,791,600).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006 HK$	2005 HK$
Unlisted shares, at cost	200,000	200,000
Amounts due from subsidiaries	–	6,792,354
Amounts due to subsidiaries	–	(988,944)
	200,000	6,003,410

(a) Details of the subsidiaries at 31 March 2006 are as follows:

Company	Place of incorporation 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
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Company	Place of incorporation and principal place of operation	Attributable equity interest	Issued and fully paid share capital/ registered capital	Principal activities
Indirectly held				
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
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

(b) Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

17. INVENTORIES

	Group 2006 *HK$*	Group 2005 *HK$*
Raw materials	8,932,461	7,144,050
Work in progress	1,360,966	1,738,816
Finished goods	3,669,669	2,330,748
Less: Allowance of obsolete inventories	(2,005,992)	(1,298,320)
	11,957,104	9,915,294

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

18. TRADE AND BILLS RECEIVABLES

The credit terms of trade and bills receivables are in accordance with specific payment schedules agreed with various customers. The aging analysis of trade and bills receivables is as follows:

	Group	
	2006 *HK$*	2005 *HK$*
0 – 30 days	15,885,992	11,517,540
31 – 60 days	7,663,282	2,687,379
61 – 90 days	14,083,781	3,022,544
Over 90 days	15,207,591	8,214,912
Less: Allowance for doubtful debts	(2,065,320)	(1,345,210)
Trade and bills receivables, net	50,775,326	24,097,165

19. BANK AND CASH BALANCES

Included in the bank and cash balances of the Group, HK$5,932,102 (2005: HK$6,186,304) was denominated in Renminbi ("RMB"), which was not freely convertible to other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

20. TRADE AND BILLS PAYABLES

The credit terms of trade and bills payables varies according to the terms agreed with different suppliers. The aging analysis of trade and bills payables is as follows:

	Group	
	2006 *HK$*	2005 *HK$*
0 – 30 days	13,911,905	10,471,995
31 – 60 days	9,009,638	4,536,276
61 – 90 days	4,777,133	3,635,259
Over 90 days	4,468,579	4,982,465
	32,167,255	23,625,995

21. SHORT TERM BORROWINGS

	Group	
	2006 *HK$*	2005 *HK$* (restated)
Bank loans – secured *(note 24)*	7,116,418	7,472,110
Bank overdrafts – secured *(note 24)*	–	3,431,728
	7,116,418	10,903,838

The bank loans denominated in Hong Kong dollars, United States dollars and RMB are HK$1,622,637, HK$2,609,281 and HK$2,884,500 (2005: HK$1,623,083, HK$3,005,327 and HK$2,843,700) respectively. The bank loans denominated in RMB are arranged at a fixed rate of 6.045% (2005: 5.7525%) per annum and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk with the average interest rate paid were 6.9% (2005: 6.0%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

22. LONG TERM BORROWINGS

	Group 2006 *HK$*	2005 *HK$*
Interest bearing borrowings		
Bank loans		
– secured *(note 24)*	374,245	599,711
Obligations under finance leases	724,262	428,950
	1,098,507	1,028,661
Current portion of long term borrowings	(317,632)	(354,124)
	780,875	674,537

(a) The bank loans are repayable as follows:

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

22. LONG TERM BORROWINGS (CONTINUED)

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

	2006			2005		
	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	217,828	43,676	261,504	128,658	14,178	142,836
In the second year	181,298	21,255	202,553	133,386	9,450	142,836
In the third to fifth years inclusive	325,136	17,787	342,923	166,906	13,845	180,751
	724,262	82,718	806,980	428,950	37,473	466,423

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

Bank loans of HK$374,245 (2005: HK$599,711) arranged at floating rates are thus exposing the Group to cash flow interest rate risk. The average interest rates paid were 7.2% (2005: 6.0%).

For the year ended 31 March 2006, the average effective borrowing rate of the obligations under finance leases was 5.1% (2005: 3.6%). 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

23. SHARE CAPITAL

(a) Shares

	2006 *HK$*	2005 *HK$*
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	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

(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.

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

24. BANKING FACILITIES

As at 31 March 2006, the Group has been granted banking facilities totalling HK$18.2 million (2005: HK$14.4 million) of which HK$11.1 million (2005: HK$13.2 million) were utilised and were secured by the following:

(i) Pledge of fixed deposits of HK$3.5 million (2005: HK$5.0 million) plus subsequent accrued interest;

(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 14 and 15).

25. CONTINGENT LIABILITIES

As at 31 March 2006 there were contingent liabilities in respect of bills of exchange discounted to a bank with recourse amounted to HK$Nil (2005: HK$1,319,580).

26. CAPITAL COMMITMENTS

Details of capital commitments were as follows:

	Group	
	2006 *HK$*	2005 *HK$*
Contracted but not provided for		
– construction of factory premises	871,294	–
– non-current investments	5,226,000	–
	6,097,294	–

27. LEASE COMMITMENTS

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

	Group	
	2006 *HK$*	2005 *HK$*
Within one year	5,793,127	3,900,820
In the second to fifth years inclusive	9,410,673	1,719,803
	15,203,800	5,620,623

28. SEGMENTAL INFORMATION

Sale of office furniture is the only major 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

28. SEGMENTAL INFORMATION (CONTINUED)

Geographical segments

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

For the year ended 31 March 2006

	Hong Kong *HK$*	The PRC *HK$*	Overseas *HK$*	Total *HK$*
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 taxation				20,971,383
Taxation				(23,299)
Profit for the year attributable to equity holders of the Company				20,948,084

28. SEGMENTAL INFORMATION (CONTINUED)

Geographical segments (continued)

	Hong Kong *HK$*	The PRC *HK$*	Overseas *HK$*	Unallocated *HK$*	Total *HK$*
Assets					
Segment assets	16,121,315	31,444,226	10,631,810	49,931,842	108,129,193
Total 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
Total 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	–	966,458	2,435,443
Allowance for doubtful debts	240,000	471,135	–	–	711,135

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

28. SEGMENTAL INFORMATION (CONTINUED)

Geographical segments (continued)

For the year ended 31 March 2005

	Hong Kong *HK$*	The PRC *HK$*	Overseas *HK$*	Total *HK$*
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 taxation				3,052,062
Taxation credit				55,009
Profit for the year attributable to equity holders of the Company				3,107,071

28. SEGMENTAL INFORMATION (CONTINUED)

Geographical segments (continued)

	Hong Kong *HK$*	The PRC *HK$*	Overseas *HK$*	Unallocated *HK$*	Total *HK$*
Assets					
Segment assets	12,333,206	16,958,589	1,046,002	39,758,493	70,096,290
Total 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
Total 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	–	812,026	2,205,347
Allowance for doubtful debts	–	7,249	–	–	7,249

29. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

Recoverability of trade and bills receivables

During the year, the Group reconsidered the recoverability of trade and bills receivables arising from the sales of the goods, which is included in its balance sheet at 31 March 2006 at HK$50,775,326. 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 Group will be closely monitored, and adjustments made in future periods, if the non-recovery of trade and bills receivables indicated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

30. 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 minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, Renminbi, United States dollars and Euro.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and transactions.

(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 majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposures spread over a number of counterparties and customers.

(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.

31. NOTE TO THE CASH FLOW STATEMENT

Major non-cash transaction

During the year, the Group entered into finance leases in respect of motor vehicles with a total capital value at the inception of HK$464,834 (2005: HK$494,900).