



ULTRA GROUP HOLDINGS LIMITED

歐美集團控股有限公司

Incorporated in the Cayman Islands with limited liability

(於開曼群島註冊成立之有限公司)

Stock Code: 8203 股票代號: 8203



2006 Third Quarterly Report  
第三季度報告



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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

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

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

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

**HIGHLIGHTS 01**

- Turnover of the Group for the nine months ended 31 December 2006 amounted to approximately HK\$229.0 million (2005: HK\$183.9 million), representing an increase of approximately 24.5% as compared to the same period last year.
- Net profit attributable to equity holders of the Company for the nine months ended 31 December 2006 amounted to approximately HK\$13.1 million (2005: HK\$12.9 million), representing an increase of approximately 1.3% as compared to the same period last year.
- Earnings per share of the Group was approximately HK cents 2.4 (2005: HK cents 2.4) for the nine months ended 31 December 2006.

## 02 UNAUDITED CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2006

The board of directors (the “Board” or the “Directors”) of Ultra Group Holdings Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the three and nine months ended 31 December 2006, together with the unaudited comparative figures for the corresponding periods in 2005 as follows:

	Notes	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover	3	79,377	64,422	228,960	183,905
Cost of sales		(53,407)	(41,677)	(152,553)	(121,329)
Gross profit		25,970	22,745	76,407	62,576
Other income		339	430	1,098	1,031
Selling and distribution costs		(10,561)	(8,104)	(28,886)	(21,020)
Administrative and other operating expenses		(12,321)	(10,412)	(34,997)	(29,255)
Profit from operations		3,427	4,659	13,622	13,332
Finance costs		(180)	(103)	(527)	(383)
Profit before taxation		3,247	4,556	13,095	12,949
Taxation	4	–	–	–	(23)
Profit for the period attributable to equity holders of the Company		<u>3,247</u>	<u>4,556</u>	<u>13,095</u>	<u>12,926</u>
Dividends	5	–	–	–	–
Basic earnings per share (cents)	6	<u>0.60</u>	<u>0.84</u>	<u>2.43</u>	<u>2.39</u>

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

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 3/F., Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong. The Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 January 2004.

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

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

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

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

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

**3. Turnover**

The Group is principally engaged in the manufacturing and sales of office furniture. Turnover represents invoiced value of goods sold, net of value-added tax, and after allowance for goods returned and trade discounts.

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") and other overseas countries. No activity analysis is provided as substantially all the Group's turnover and contribution to profit from operations were derived from the sale of office furniture.

## 04 NOTES TO THE FINANCIAL STATEMENT

## 3. Turnover (continued)

The following table sets out the turnover breakdown of the Group by geographical region for the three months and nine months ended 31 December 2006:

	Unaudited Three months ended 31 December				Unaudited Nine months ended 31 December			
	2006		2005		2006		2005	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	24,458	31	20,972	33	72,882	32	58,554	32
The PRC	37,528	47	33,536	52	110,382	48	96,353	52
Overseas	17,391	22	9,914	15	45,696	20	28,998	16
Total	<u>79,377</u>	<u>100</u>	<u>64,422</u>	<u>100</u>	<u>228,960</u>	<u>100</u>	<u>183,905</u>	<u>100</u>

## 4. Taxation

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax				
– underprovision in previous years	<u>–</u>	<u>–</u>	<u>–</u>	<u>23</u>

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.

Pursuant to the relevant laws and regulations in the PRC, Zhaoqing Ultra Furniture Company Limited, a wholly-owned subsidiary of the Company established in Zhaoqing, the PRC is subject to enterprise income tax rate at 24% on its taxable profit in accordance with 中華人民共和國外商投資企業和外國企業所得稅法. However, it is exempted from enterprise income tax for two years starting from the first year of profitable operation after off-setting prior year tax losses, followed by a 50% reduction for the next three years.

No provision for deferred taxation has been made in the financial statements as the tax effect of temporary differences is not material to the Group.

**NOTES TO THE FINANCIAL STATEMENT 05****5. Dividends**

The Directors do not recommend the payment of dividend for the nine months ended 31 December 2006 (2005: HK\$Nil).

**6. Earnings per share**

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company for the nine months ended 31 December 2006 of HK\$13.1 million (2005: HK\$12.9 million) and 540,000,000 (2005: 540,000,000) ordinary shares of the Company in issue throughout the nine months ended 31 December 2006.

No diluted earnings per share have been presented as the Company did not have any diluted potential ordinary shares during the nine months ended 31 December 2006.

**06 NOTES TO THE FINANCIAL STATEMENT**

**7. Reserve and capital**

	Reserves					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2005	5,400	9,536	(122)	(48)	1,355	16,121
Exchange difference arising on translation of foreign operations	—	—	—	430	—	430
Net income recognised directly in equity	—	—	—	430	—	430
Profit for the period	—	—	—	—	12,926	12,926
Total recognised income and expense for the period	—	—	—	430	12,926	13,356
At 31 December 2005	<u>5,400</u>	<u>9,536</u>	<u>(122)</u>	<u>382</u>	<u>14,281</u>	<u>29,477</u>
At 1 April 2006	5,400	9,536	(122)	483	22,303	37,600
Exchange difference arising on translation of foreign operations	—	—	—	1,788	—	1,788
Net income recognised directly in equity	—	—	—	1,788	—	1,788
Profit for the period	—	—	—	—	13,095	13,095
Total recognised income and expense for the period	—	—	—	1,788	13,095	14,883
At 31 December 2006	<u>5,400</u>	<u>9,536</u>	<u>(122)</u>	<u>2,271</u>	<u>35,398</u>	<u>52,483</u>

**MANAGEMENT DISCUSSION AND ANALYSIS****07****Business Review and Outlook**

During the nine months ended 31 December 2006 under review, the Group's business has grown steadily in spite of the competitive market environment for office furniture.

The Group is confident and enthusiastic to enhance growth by expanding its sales reach. Launched with a house warming party in November 2006, the Group's new office and showroom in Beijing will further strengthen the direct sales effort to meet the increasing demand for office furniture in Northern China. To supplement this, the Group continues to expand its dealership network overseas and in the PRC. New appointments have been made in South Korea and Macau for the period under review. As at 31 December 2006, the Group has a total of 16 international dealers. In the PRC, the Group has appointed a total of 32 dealers.

To maintain its leadership position, the Group has devoted resources to promotional campaigns, including participating at the Guangzhou Design Week in November 2006, which resulted in extensive exposure in the mass media.

To strengthen its production capabilities, the Group has continuously installed new machines to further streamline the efficiency and quality of production. New testing machines have also been added to specifically focus on better quality assurance and product durability.

**Financial Review**

The turnover of the Group for the three months and nine months ended 31 December 2006 were approximately HK\$79.4 million and HK\$229.0 million respectively, representing an increase of approximately 23.3% and 24.5% as compared to the turnover of approximately HK\$64.4 million and HK\$183.9 million for the same periods ended 31 December 2005.

Gross profit of the Group for the three months and nine months ended 31 December 2006 were approximately HK\$26.0 million and HK\$76.4 million respectively. The gross profit margin for the nine months ended 31 December 2006 was slightly decreased to approximately 33% as compared to approximately 34% for the same period last year.

**08 MANAGEMENT DISCUSSION AND ANALYSIS**

The total expenses for the three months and nine months ended 31 December 2006 were approximately HK\$23.1 million and HK\$64.4 million respectively, representing an increase of approximately HK\$4.5 million and HK\$13.7 million as compared to approximately HK\$18.6 million and HK\$50.7 million for the corresponding periods last year. The percentage of total expenses to sales was approximately 29.1% and 28.1% for the three months and nine months ended 31 December 2006 respectively, which was close to 28.9% and 27.5% for the corresponding periods of 2005. The increase in expenses was in line with the tremendous increase in turnover, mainly attributable to the increase in, rent and staff cost for the long term benefit to sustain the Company's continuous business growth and development.

The Group recorded a net profit attributable to equity holders of approximately HK\$3.2 million and HK\$13.1 million for the three months and nine months ended 31 December 2006 respectively. The Group's net profit for the nine months ended 31 December 2006 increased by approximately 1.3% as compared to the net profit of the approximately HK\$12.9 million for the nine months ended 31 December 2005.

*Liquidity and Financial Resource*

As at 31 December 2006, the Group had bank and cash balances of approximately HK\$34.5 million (as at 31 March 2006: HK\$27.9 million). The Group's bank overdrafts and short term bank loans and obligations under finance leases amounted to approximately HK\$10.2 million (as at 31 March 2006: HK\$7.4 million). These borrowings are denominated in Hong Kong dollars, United States dollars, Euro and Renminbi and are repayable within one year and bear interest at prevailing market rates.

The Group's long term liabilities as at 31 December 2006, which comprised obligations under finance leases repayable in two to five years, amounted to approximately HK\$0.6 million (as at 31 March 2006: HK\$0.8 million). These finance leases bear interest at prevailing market rates and are denominated in Hong Kong dollars.

*Gearing Ratio*

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

**MANAGEMENT DISCUSSION AND ANALYSIS***Capital Structure*

There has been no change in the capital structure of the Company for the nine months ended 31 December 2006. During the nine months ended 31 December 2006, the Group's net assets were financed by internal resources through its share capital and reserves. Total equity attributable to equity holders as at 31 December 2006 was approximately HK\$52.5 million (as at 31 March 2006: HK\$37.6 million).

*Foreign Exchange Exposure*

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

*Charge on the Group's Assets*

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

*Contingent Liabilities*

A subsidiary company of the Group is currently a co-defendant with the company's driver in a lawsuit brought by a party in a personal injury claim involving a traffic accident. The Group and its insurance company have been contesting the claim. Though the final outcome of the proceedings is still uncertain, the Directors are of the opinion that the ultimate liability of the Group arising from the claim, if any, should not have a material adverse impact upon the Group's financial position (as at 31 March 2006: HK\$Nil).

**10 OTHER INFORMATION****1. Interests and Short Positions of Directors and Chief Executive in Shares, Underlying Shares and Debentures**

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

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

<b>Name of Director</b>	<b>Capacity</b>	<b>No. of Shares</b>	<b>Notes</b>	<b>Percentage of shareholding</b>
Ms. Cho Yuen Yi, Wendy	Interest of controlled corporations	83,826,500 (Long position)	1, 2 & 3	15.52%

*Notes:*

1. These Shares are held as to 22,882,500 Shares by Huge Mars International Limited and 60,944,000 Shares by Excel Formation Limited.
2. Huge Mars International Limited is wholly owned by Ms. Cho Yuen Yi, Wendy who is deemed to be interested in the 22,882,500 Shares held by Huge Mars International Limited under the SFO.
3. Excel Formation Limited is wholly owned by Ms. Cho Yuen Yi, Wendy who is deemed to be interested in the 60,944,000 Shares held by Excel Formation Limited under the SFO.

Save as disclosed above, none of the Directors or the chief executive 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 December 2006.

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

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

Name of Shareholder	Capacity	No. of Shares	Notes	Percentage of shareholding
Plowright Investments Limited	Beneficial owner	115,231,000 (Long position)	1	21.34%
Harmony Asset Limited	Interest of a controlled corporation	115,231,000 (Long position)	1	21.34%
Gold Master Business Limited	Beneficial owner	81,000,000 (Long position)	2	15.00%
Mr. 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%
Excel Formation Limited	Beneficial owner	60,944,000 (Long position)	3	11.29%

**12 OTHER INFORMATION***Notes:*

1. Plowright Investments Limited is a wholly-owned subsidiary of Harmony Asset Limited, the shares of which are listed on the Main Board of the Stock Exchange. Harmony Asset Limited is deemed to be interested in the 115,231,000 Shares held by Plowright Investments Limited.
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. Excel Formation Limited is wholly owned by Ms. Cho Yuen Yi, Wendy. Ms. Cho Yuen Yi, Wendy is deemed to be interested in the 60,944,000 Shares held by Excel Formation Limited. Relevant disclosure has been made under the paragraph headed "Interests and Short Positions of Directors and Chief Executive in Shares, Underlying Shares and Debentures" above.

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

**3. Share Options**

A share option scheme (the "Scheme") was adopted by the then shareholders of the Company by way of written resolution passed on 9 December 2003. The principal purpose of the Scheme is to enable the Company to grant share options to eligible persons as incentives or rewards for their contributions to the Group.

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

**4. Directors' Interest in Competing Business**

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

## 5. Audit Committee

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

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

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

The unaudited quarterly results for the nine months ended 31 December 2006 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## 6. Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the nine months ended 31 December 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the nine months ended 31 December 2006.

**14 OTHER INFORMATION****7. 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 nine months ended 31 December 2006. The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealings under the GEM Listing Rules and its code of conduct regarding securities transactions by Directors.

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

Hong Kong, 8 February 2007

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