

**ANNUAL REPORT**

二 零 零 七 年 年 報

(Stock Code 股份代號 : 8203)

07



**ULTRA GROUP HOLDINGS LIMITED**

**歐美集團控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

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**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.**

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*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, *CPA, FCCA*

### Independent Non-executive Directors

Mr. Liew Swee Yean  
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. Liew Swee Yean, *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. Liew Swee Yean  
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 OFFICER

Ms. Wong Ching Ngor, *CPA, FCCA*

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## 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](http://www.ultrafurniture.net)

## STOCK CODE

8203

## FINANCIAL HIGHLIGHTS

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

### RESULTS

|  | Year ended 31 March |                  |                  |                  |                  |
|--|---------------------|------------------|------------------|------------------|------------------|
|  | 2007<br>HK\$'000    | 2006<br>HK\$'000 | 2005<br>HK\$'000 | 2004<br>HK\$'000 | 2003<br>HK\$'000 |
| Turnover                                     | <u>299,298</u>      | <u>252,033</u>   | <u>161,635</u>   | <u>91,950</u>    | <u>118,715</u>   |
| Profit/(loss) before tax                     | 15,943              | 20,971           | 3,052            | (9,089)          | 19,795           |
| Income tax (expense)/credit                  | (69)                | (23)             | 55               | 455              | (905)            |
| Profit/(loss) attributable to equity holders | <u>15,874</u>       | <u>20,948</u>    | <u>3,107</u>     | <u>(8,634)</u>   | <u>18,890</u>    |

### ASSETS AND LIABILITIES

|                       | As at 31 March   |                  |                  |                  |                  |
|-----------------------|------------------|------------------|------------------|------------------|------------------|
|                       | 2007<br>HK\$'000 | 2006<br>HK\$'000 | 2005<br>HK\$'000 | 2004<br>HK\$'000 | 2003<br>HK\$'000 |
| Total assets          | 143,168          | 108,129          | 70,096           | 52,073           | 58,801           |
| Total liabilities     | <u>(87,551)</u>  | <u>(70,529)</u>  | <u>(53,975)</u>  | <u>(39,059)</u>  | <u>(51,869)</u>  |
| Equity holders' funds | <u>55,617</u>    | <u>37,600</u>    | <u>16,121</u>    | <u>13,014</u>    | <u>6,932</u>     |

#### Notes:

1. The results of the Group for the year ended 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 year ended 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

With a dual focus on devoting resources to product design and research and development, and increasing the market coverage and strengthening the business network worldwide, the Group has achieved a steady growth in turnover this year. For the year ended 31 March 2007, the Group's turnover was approximately HK\$299.3 million, representing an increase of approximately 18.8% over last year.

The increase in turnover reflected the concerted efforts of the Group. However, the net profit for the year ended 31 March 2007 decreased as compared to that of last year due to the higher cost of sales and expenses which could not be entirely shifted to the customers under the keen competition in the industry. Looking ahead, the Group is facing greater challenges from the increasing market competition and it will have to take greater efforts in improving the operation processes in order to provide quality services to enlarge the customer base.

## BUSINESS REVIEW

The year ended 31 March 2007 marked a tough year for the Group's overall performance notwithstanding that the Group has put efforts and resources in the development of product innovations, operational improvements, sales network and branding.

### Sales Penetration

During the year ended 31 March 2007, the Group recorded a continued growth in sales turnover.

With the four direct sales offices in Hong Kong, Shanghai, Beijing and Guangzhou, the Group successfully increased and consolidated the market penetration in the aforesaid areas. In view of the economic growth in Beijing, the Group relocated the Beijing branch office and showroom to a larger unit in Oriental Plaza to facilitate the sales operation in Northern China.

To consolidate the gain from globalization, the Group has continued to expand its dealership network worldwide. New dealership appointments have been made in South Korea and Macau. In the meantime, the Group has put increasing efforts in realigning the People's Republic of China ("the PRC") dealership network. The Group has appointed a total of 24 dealers in the PRC and 11 dealers overseas as at the date hereof.

Notwithstanding the growth in turnover, the Group's net profit margin for the year ended 31 March 2007 has decreased by approximately 3.0% to 5.3% from 8.3% for the year ended 31 March 2006. This was due to higher cost of sales and increased expenses for the sales expansion. The increased costs were absorbed by the Group to maintain the price competitiveness of the Group's products in the market.

### Upgraded production efficiency

To strengthen the production capabilities, the Group has continuously invested in new technologies and facilities, which improved the efficiency of the Group and enhanced the manufacturing processes.

A quality testing laboratory in accordance with the applicable requirements of The Business and Institutional Furniture Manufacturers' Association was set up and new machines for desking products were installed to strengthen the Group's production capacity and capabilities. With an extra production space of 2,500 square metres without increase in labor resource, manufacturing efficiency was highly increased to meet the sales growth.

# CHAIRMAN'S STATEMENT

## PROSPECTS

Looking ahead, although the forthcoming world-renowned events of the 2008 Olympic Games in Beijing and the 2010 World Expo in Shanghai are expected to stimulate greater demands of office furniture in the market, it is hardly to maintain a solid market leader position without strong resources to back up. The competition in the office furniture market is very keen, some overseas furniture suppliers have established or expanded their operations in the PRC. The Group will strategically plan for the business model and continue to strengthen its product lines to accommodate the development and expansion plans of its potential customers, including both multinational and local enterprises.

The development of new products will remain an integral part of the Group's growth strategy. We will also continue to focus on product design and technological enhancements, as we believe that this will help to ensure the long-term development of the Group's business.

The Group will also continue to strategically enhance the penetration of the PRC market through establishing stronger dealership networks in those second tier cities in the PRC such as Chengdu, Chongqing, Nanjing and Hangzhou.

By establishing a product marketing team to provide support in sales operation, the Group is committed to raise its brand recognition. For the year ended 31 March 2007, the Group participated in the Guangzhou Design Week and the China Design and Contract Expo in Shanghai and held a promotional campaign "HeadLine Presentation Contest 2006". The Group will continue to build up the brand recognition of its products in the future by further featuring the "Ultra" brand at various marketing and publicity activities in the coming year.

In view of the keen market competition in the office furniture industry, the Group has also been exploring different business and/or co-operation opportunities from time to time. The Group is in discussion with an independent third party in relation to a possible acquisition of a new business. On the other hand, the Group is also studying the possibility of disposing of some of its business operations. On 18 June 2007, the Group has entered into the share subscription agreement with Global On-Line Distribution Limited ("Global On-Line") for the subscription of 5,100 shares in Global On-Line, representing 51% of the enlarged entire issued share capital of Global On-Line. It is an on-line distributor of office supplies and equipments providing multi-channel and cross-border trade solutions to both corporate and individual on-line buyers. Given the growth potential of Global On-Line, the Directors are of the view that the subscription of shares in Global On-Line will enhance shareholders value and is in the best interest of the Group and its shareholders.

## APPRECIATION

On behalf of the board, I wish to deliver my heartfelt gratitude to the board of directors, management team and all staff for their devoted commitments in solidifying the Group's leading position by meeting each and every challenge.

I would also like to extend my sincere thanks to all our bankers, investors, suppliers and customers for their unwavering support and trusts.

I believe that in the forthcoming year, the Group will continue to provide excellent office furnitures and services to our customers not just in Hong Kong and mainland China but throughout the world. With your continuing support and commitment of the staff, the Group is determined to create greater values to customers in terms of further refined, high quality products and services.

**Cho Yuen Yi, Wendy**  
*Chairman*

Hong Kong, 21 June 2007

## 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 (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the accounting principles generally accepted in Hong Kong.

### FINANCIAL REVIEW

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

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

For the year ended 31 March 2007, the total operating expenses increased by approximately 22.8% as compared to that for the year ended 31 March 2006. The increase in operating expenses were mainly attributable to the increase in staff costs and rental expenses which are for the benefit of the Group’s continuous business growth and development in long term. The percentage of total expenses to sales was slightly increased by 0.9% as compared to that of the 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, quality assurance, sales and marketing programs, information technology, and staff trainings, which are beneficial for the Group’s business growth.

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

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2007, the Group’s bank and cash balances amounted to approximately HK\$49.7 million (2006: HK\$27.9 million). The Group’s short term bank loans and current portion of bank loan and obligations under finance leases amounted to approximately HK\$10.4 million (2006: HK\$7.4 million). These borrowings are denominated in Hong Kong dollars, United States dollars and Renminbi and are repayable within one year and bear interest at prevailing market rates.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's long term liabilities, which comprised bank loan and obligations under finance leases repayable in two to five years, amounted to HK\$0.5 million (2006: HK\$0.8 million). These bank loan and finance leases bear interest at prevailing market rates and are denominated in Hong Kong dollars.

As at 31 March 2007, the Group has been granted banking facilities in the aggregate amount of HK\$25.3 million (2006: HK\$18.2 million) of which HK\$17.4 million (2006: HK\$11.1 million) were utilized and were secured by pledge of the 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, which represents the ratio of the Group's total liabilities over the Group's total assets, was 0.61 as at 31 March 2007 (2006: 0.65).

### CAPITAL STRUCTURE

There has been no change in the capital structure of the Company for the year ended 31 March 2007. During the year ended 31 March 2007, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders as at 31 March 2007 was approximately HK\$55.6 million (2006: HK\$37.6 million).

### FOREIGN EXCHANGE EXPOSURE

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

### INCOME TAX

Details of the treatment of the Group's income tax expense for the year ended 31 March 2007 are set out in note 9 to the financial statements.

### 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 2007, the assets of the Group pledged to banks included bank deposits in the aggregate amount of approximately HK\$3.5 million (2006: HK\$3.5 million) and the legal charge on the prepaid land lease payments and the buildings owned by the Group in the PRC.

# MANAGEMENT DISCUSSION AND ANALYSIS

## HUMAN RESOURCES

As at 31 March 2007, the Group had approximately 900 (2006: 892) employees in the PRC and approximately 119 (2006: 103) staff in Hong Kong. The Group continues to employ, promote and reward its staff with reference to their performance and experience. The Group also consistently adopts a policy of human resources enrichment, and provides training programme to its employees. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality.

The total staff costs, including Directors' emoluments, amounted to approximately HK\$43.3 million (2006: HK\$35.5 million) for the year ended 31 March 2007.

## CONTINGENT LIABILITIES

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

Save as the said litigation, the Group did not have any material contingent liabilities as at 31 March 2007 (2006: HK\$Nil).

## LITIGATION

As at 31 March 2007, save as disclosed under the paragraph headed "Contingent Liabilities", the Group had no significant pending litigation.

# BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

## Executive Directors

Ms. Cho Yuen Yi, Wendy, aged 38, 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 14 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 40, joined the Group in June 2003. Ms. Wong is the Chief Financial Officer and the 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 holds a master degree in Business Administration from the Chinese University of Hong Kong and a professional diploma in Accountancy from Hong Kong Polytechnic University. Ms. Wong has over 17 years of experience in audit, accounting and finance with a strong background in manufacturing and trading field. She had worked as an audit manager in one of the largest accounting firms in Hong Kong. She had also been a finance manager/financial controller in various multinational corporations and listed companies to oversee the finance operations in Hong Kong and the PRC.

## Independent Non-executive Directors

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

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

## BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Wong Yun Kuen, aged 49, joined the Group in September 2004. He holds a Ph.D. degree from Harvard University and was the “Distinguished Visiting Scholar” at Wharton School of the University of Pennsylvania. Dr. Wong has worked in the financial industries in the United States and Hong Kong for many years, and has over 10 years of experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited, and an independent non-executive director of Grand Field Group Holdings Limited, Harmony Asset Limited, Golden Resorts Group Limited, Bauhaus International (Holdings) Limited, Tak Shun Technology Group Limited, Poly Investments Holdings Limited and Kong Sun Holdings Limited. Dr. Wong has been 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 41, is the Chief Production Officer of the Group. Mr. Ng joined the Group in July 1998 and is responsible for overseeing the daily operations of the production plant of the Group. Mr. Ng has over 15 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 51, is the Chief Sales & Marketing Officer of the Group. Mr. Tam joined the Group in June 1999 and is responsible for overseeing all the sales and marketing functions of the Group including direct sales, overseas and PRC dealership business, corporate services, corporate communications, customer relations, products design and products marketing, etc.. Mr. Tam holds a bachelor degree in Business Administration from the Chinese University of Hong Kong, and has over 20 years of experience in export sales, marketing and management.

Mr. Leung Kai Chuen, aged 38, is the Deputy Chief Production Officer of the Group. Mr. Leung joined the Group in November 2000 and is responsible for assisting the Chief Production Officer in the daily operation of the production plant and in particular, procurement, purchasing and materials control & planning. 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 of experience in sales, marketing and operations.

Mr. Lui Wing Sang, aged 45, 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 of experience in customer service, sales and marketing.

Mr. Gu Guo Guang, aged 34, is the Sales Director of Shanghai branch of the Group. Mr. Gu has over 10 years of 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 is in-charge of our Shanghai sales team to develop our business in Shanghai and eastern part of China.

## BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Anders Borch Gregersen, aged 35, is the Business Development Director of the Group. Mr. Gregersen joined the Group in February 2004 and is responsible for the relationship building, networking and business development with multinational corporations. Mr. Gregersen holds a bachelor degree in Marketing from Hilleroed Business School. He has over 10 years of experience in international sales and marketing in the furniture industry.

Mr. Wong Chung Ming, David, aged 46, is the Group Human Resources and Administration Director. Mr. Wong joined the Group in September 2004 and is responsible for all human resources functions, administrative support works, training and policy formulation of the Group. 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. Chow Chiu Pang, Gary, aged 40, is the PRC Dealership Director of the Group. Mr. Chow joined the Group in October 1999 and is responsible for business development of the PRC dealership in China. Mr. Chow holds a bachelor degree in Science from the University of Windsor and has served the Group in the areas of sales & marketing, procurement, purchasing and materials control & planning, etc.. Besides, he has over 15 years of experience and exposures in the office furniture industry.

## REPORT OF THE DIRECTORS

The directors of the Company (“Directors”) submit their report together with the audited financial statements for the year ended 31 March 2007.

### 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 25 to the financial statements.

An analysis of the Group’s performance for the year by geographical segments is set out in note 32 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 28.

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

### RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 30.

### DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$99,010 (2006: HK\$Nil).

### FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 15 to the financial statements.

### SHARE CAPITAL

Particulars of the share capital of the Company are set out in note 24 to the financial statements.

### DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2007 amounted to HK\$6,435,762 (2006: HK\$7,218,907). Under Section 34 of the Companies Law of the Cayman Islands, the reserves are 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 reserves unless the Company shall be able to pay its debts as they fall due in the ordinary course of business of the Group.

# REPORT OF THE DIRECTORS

## FIVE YEAR FINANCIAL SUMMARY

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

## 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 of Hong Kong relating to the Mandatory Provident Fund (“MPF”), with effect from 1 December 2000, the Group is required to participate in the 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 HK\$1,000 for each eligible employee) as calculated under the MPF legislation.

Employees of the Group in the PRC participate in the retirement benefit plans (社會保險基金) and the Group is required to make monthly contributions at rates ranging from 12% to 22% of the employee’s basic salary.

## SHARE OPTIONS

A share option scheme (the “Scheme”) was adopted by the shareholders of the Company by way of written resolutions passed on 9 December 2003. 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 the Options are 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.

## REPORT OF THE DIRECTORS

The total number of Shares issued and to be issued upon exercise of the Options granted to 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% of the Shares in issue from time to time unless prior approval is obtained from the independent shareholders of the Company.

The Options 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 the Options 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, provided that it shall not exceed 10 years from the date on which the Option is deemed to be granted and accepted.

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

The subscription price for each Share subject to 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 each Share on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a business day; (ii) the average closing price of each Share 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 from 9 December 2003.

As at 31 March 2007, no Option has 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. Kong Tze Wing\*

(Resigned on 8 November 2006)

Mr. Liew Swee Yean\*

(Appointed on 8 November 2006)

Mr. Siu Siu Ling Robert\*

Dr. Wong Yun Kuen\*

\* *Independent non-executive Directors*

*Note:*

*On 12 June 2007, the Company entered into a service agreement with Mr. Wu Kam Hung, pursuant to which Mr. Wu Kam Hung has been appointed as an executive director of the Company with effect from 6 July 2007.*



## REPORT OF THE DIRECTORS

According to Article 86 of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director to fill a casual vacancy on the Board or, as an addition to the existing Board of Director (the "Board") provided that the number of Directors so appointed by the Board shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the following annual general meeting of the Company ("AGM") (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting.

Mr. Liew Swee Yean was appointed as an independent non-executive Director on 8 November 2006 to fill a casual vacancy on the Board. In accordance with Article 86 of the Articles, Mr. Liew Swee Yean will retire from office at the forthcoming AGM, and being eligible, offer himself for re-election at the forthcoming AGM.

According to Article 87 of the Articles, one-third of the Directors for the time being (or, if the numbers of Directors is not three (3) or a multiple of three (3), the number nearest to but not less than one-third), shall retire at each AGM by rotation, provided that every Director shall be subject to retirement by rotation at least once every three (3) years. The retiring Directors shall then be eligible for re-election at the AGM.

In accordance with Articles 87 of the Articles, Ms. Cho Yuen Yi, Wendy and Ms. Wong Ching Ngor will retire from offices by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election at the forthcoming AGM.

The Company has received from each of Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert 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.

### **DIRECTORS' SERVICE CONTRACTS**

Each of the existing executive Directors namely, Ms. Cho Yuen Yi, Wendy and Ms. Wong Ching Ngor, has entered into a Director's Service Contract with the Company with no fixed term beginning on 1 January 2004. Mr. Wu Kam Hung, who will become an executive Director on 6 July 2007, has entered into a Director's Service Contract with the Company with no fixed term commencing from 6 July 2007. 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. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen is for a term of one year and may be extended for such period as agreed in writing by the Directors concerned and the Company. Currently, Mr. Liew Swee Yean has been appointed as independent non-executive Director up to 7 November 2007, Mr. Siu Siu Ling, Robert has been appointed as independent non-executive Director up to 31 December 2007, whilst Dr. Wong Yun Kuen has been appointed as independent non-executive Director up to 29 September 2007.

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 13 to the financial statements.

# REPORT OF THE DIRECTORS

## DIRECTORS' REMUNERATION

It is proposed to authorize the Board to fix the Directors' remuneration at the AGM. The remunerations, including any bonus payments to be paid to the Directors, 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 established a Remuneration Committee 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 the Directors and the senior management of the Company. The Remuneration Committee comprises three independent non-executive Directors and two executive Directors.

## COMPLIANCE ADVISER'S INTERESTS

Pursuant to the sponsor agreement dated 19 January 2004 which was entered into between the Company and Deloitte & Touche Corporate Finance Ltd. ("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.

Neither 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.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the paragraph headed "Connected Transactions" below, no contracts 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 as at the end of the year or at any time during the year.

## CONNECTED TRANSACTIONS

For the year ended 31 March 2007, the Group had sold products at a consideration of (i) HK\$30,227 to Ms. Cho Yuen Yi, Wendy, the Chairman, an executive Director and a substantial shareholder of the Company, and (ii) HK\$34,085 to Messrs. James T. W. Kong & Co., Certified Public Accountants, the sole practitioner of which is Mr. Kong Tze Wing, a former independent non-executive Director who resigned on 8 November 2006.

The above transactions constituted connected transactions under the GEM Listing Rules. Since each of those transactions are on normal commercial terms and each of the applicable percentage ratios is less than 0.1%, they are exempted from the reporting, announcement and independent shareholders' approval requirements according to Rule 20.31 of the GEM Listing Rules.

# REPORT OF THE DIRECTORS

## 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 2007, the interests and short positions of the Directors and the chief executives in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules were as follows:

#### *Interests in the Shares*

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

#### *Notes:*

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

Save as disclosed above, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules as at 31 March 2007.

## REPORT OF THE DIRECTORS

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, the interests and short positions of substantial shareholders (other than the Directors and chief executives of the Company) in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

| Name of Shareholder           | Capacity                             | No. of Shares                  | Notes    | Percentage of shareholding |
|-------------------------------|--------------------------------------|--------------------------------|----------|----------------------------|
| Plowright Investments Limited | Beneficial owner                     | 115,231,000<br>(Long position) | 1        | 21.34%                     |
| Harmony Asset Limited         | Interest of a controlled corporation | 115,231,000<br>(Long position) | 1        | 21.34%                     |
| Gold Master Business Limited  | Beneficial owner                     | 81,000,000<br>(Long position)  | 2 & 3    | 15.00%                     |
| Mr. Chan Pak Hung             | Interest of a controlled corporation | 81,000,000<br>(Long position)  | 2 & 3    | 15.00%                     |
| Mr. Chan Pat Leung            | Interest of a controlled corporation | 81,000,000<br>(Long position)  | 2 & 3    | 15.00%                     |
| Ms. Cho Yuen Yi, Wendy        | Interest of a controlled corporation | 83,826,500<br>(Long position)  | 4, 5 & 6 | 15.52%                     |
| Excel Formation Limited       | Beneficial owner                     | 60,944,000<br>(Long position)  | 6        | 11.29%                     |

*Notes:*

1. Plowright Investments Limited is a wholly-owned subsidiary of Harmony Asset Limited, the shares of which are listed on the Main Board of the Stock Exchange. Harmony Asset Limited is deemed to be interested in the 115,231,000 Shares held by Plowright Investments Limited under the SFO.
2. As at 31 March 2007, Gold Master Business Limited was 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 was deemed to be interested in 81,000,000 Shares held by Gold Master Business Limited under the SFO as at 31 March 2007.
3. On 11 June 2007, Mr. Wong Wai Keung, Dennis acquired from Mr. Chan Pak Hung and Mr. Chan Pat Leung the entire issued share capital of Gold Master Business Limited and is deemed to be interested in 81,000,000 Shares held by Gold Master Business Limited under the SFO thereafter. Mr. Chan Pak Hung and Mr. Chan Pat Leung ceased to be the shareholders of Gold Master Business Limited after transferring their shares in Gold Master Business Limited to Mr. Wong Wai Keung, Dennis and are no longer deemed to be interested in 81,000,000 Shares held by Gold Master Business Limited under the SFO.
4. These Shares are held as to 22,882,500 Shares by Huge Mars International Limited and 60,944,000 Shares by Excel Formation Limited.
5. 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.
6. 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.

# REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 March 2007, no person had registered an interest or short position in the Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## MANAGEMENT CONTRACTS

No contracts 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            | 14.12% |
| – five largest suppliers combined | 41.69% |
| Sales                             |        |
| – the largest customer            | 5.68%  |
| – five largest customers combined | 16.19% |

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, except for the deviations from Code Provision A.2.1. Details of compliance are set out in the Corporate Governance Report on pages 21 to 25.

## 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 2007. The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealings 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.

## REPORT OF THE DIRECTORS

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

The audit committee provides an important link between the Board and the Company's auditors in those matters within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit, internal controls and risk evaluation. Mr. Kong Tsz Wing had been the chairman of the audit committee until 8 November 2006. As at the date hereof, 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.

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 who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and 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 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 25 to the financial statements.

### EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events after 31 March 2007 are set out in note 31 to the financial statements.

### AUDITORS

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

There is 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 2007

# CORPORATE GOVERNANCE REPORT

## 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 as set out in Appendix 15, Code on Corporate Governance Practices (the “Code”) of the GEM Listing Rules throughout the year ended 31 March 2007, except for the deviation from Code Provision A.2.1 which is explained in the following paragraphs.

## 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 2007. The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealings under the GEM Listing Rules and its code of conduct regarding securities transactions by Directors.

## THE BOARD OF DIRECTORS

### Composition of the Board of Directors (the “Board”)

As at 31 March 2007, 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. Liew Swee Yean, 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 9 to 11 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 Group. The daily operational matters of the Group are delegated by the Board to the management.

## Board Meetings

Eight Board meetings were held during the year ended 31 March 2007. The Board meetings involved the active participation of the Directors either in person or through other electronic means of communication.

At least 14 days notice has been given to all Directors of each of the Board meetings.

Attendance of each of the Directors at Board meetings during the year ended 31 March 2007 is set out as follows:

| Number of Board Meetings                          | 8   |      |
|---|-----|------|
| Executive Directors:                              |     |      |
| Ms. Cho Yuen Yi, Wendy (Chairman)                 | 8/8 | 100% |
| Ms. Wong Ching Ngor                               | 8/8 | 100% |
| Independent Non-Executive Directors:              |     |      |
| Mr. Kong Tze Wing (up to 7 November 2006)         | 4/8 | 50%  |
| Mr. Siu Siu Ling, Robert                          | 7/8 | 88%  |
| Dr. Wong Yun Kuen                                 | 7/8 | 88%  |
| Mr. Liew Swee Yean (from 8 November 2006 onwards) | 3/8 | 38%  |
| Average attendance rate                           | 93% |      |

## INTERNAL CONTROL

The Board has overall responsibilities for maintaining and reviewing the effectiveness of the system of internal control of the Group. The internal control system is to safeguard the assets of the Group and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirements of the GEM Listing Rules. During the year ended 31 March 2007, the Board had reviewed the effectiveness of the system of internal control of the Group. The review had covered all material aspects of internal control including financial, operational and compliance controls and risk management functions of the Group.



# CORPORATE GOVERNANCE REPORT

## 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 2007, Ms. Cho Yuen Yi, Wendy (“Ms. Cho”) was the Chairman of the Company and no chief executive officer has been appointed. The responsibilities of chief executive officer have been performed by Ms. Cho. The Directors consider that Ms. Cho possesses in-depth knowledge of the Group and has developed extensive and valuable business network in the industry, thus enabling the Group to make and implement decisions promptly and efficiently which is beneficial to the business prospects of the Group. The Directors also consider that this structure will not impair the balance of power and authority between the Directors and the management as the Board, which comprises experienced and high calibre individuals, meets regularly to discuss issues in connection with the operations of the Group.

## 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 has established a Remuneration Committee in March 2006. The existing Remuneration Committee comprised two executive Directors and three independent non-executive Directors, namely Ms. Cho Yuen Yi, Wendy, Ms. Wong Ching Ngor, Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen. 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 Meetings

The Remuneration Committee has held three meetings during the year ended 31 March 2007. During the meetings, the Remuneration Committee had reviewed and approved the increment in salary, housing allowance and bonus payment for the executive Directors and the 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 each of the Directors at the Remuneration Committee meetings during the year ended 31 March 2007 is set out as follows:

| Number of Remuneration Committee Meetings         | 3    |      |
|---|------|------|
| Dr. Wong Yun Kuen (Committee Chairman)            | 3/3  | 100% |
| Ms. Wong Ching Ngor (Committee Secretary)         | 3/3  | 100% |
| Ms. Cho Yuen Yi, Wendy                            | 3/3  | 100% |
| Mr. Kong Tze Wing (up to 7 November 2006)         | 1/3  | 33%  |
| Mr. Siu Siu Ling, Robert                          | 3/3  | 100% |
| Mr. Liew Swee Yean (from 8 November 2006 onwards) | 2/3  | 67%  |
| 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.

During the year ended 31 March 2007, the Board has nominated and appointed Mr. Liew Swee Yean to be an independent non-executive Director.

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.

## AUDITORS' REMUNERATION

For the year ended 31 March 2007, the Auditors of the Company, RSM Nelson Wheeler, received HK\$510,000 for audit services. There was no non-audit service provided by the Auditors.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

### Composition of the Audit Committee

The Company has established an Audit Committee in December 2003. Mr. Kong Tze Wing had been the Chairman of the Audit Committee until 8 November 2006. As at the date hereof, the Audit Committee comprises three independent non-executive Directors, namely Mr. Siu Siu Ling, Robert, Dr. Wong Yun Kuen and Mr. Liew Swee Yean. Mr. Liew Swee Yean 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 Meetings

During the year ended 31 March 2007, the Audit Committee has held four meetings to review and supervise the financial reporting process. The Audit Committee has reviewed the quarterly, interim 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 each of the independent non-executive Directors at the Audit Committee meetings during the year ended 31 March 2007 is set out as follows:

| <b>Number of Audit Committee Meetings</b>                                 | <b>4</b> |      |
|---|----------|------|
| Mr. Kong Tze Wing (Committee Chairman)<br>(up to 7 November 2006)         | 2/4      | 50%  |
| Mr. Liew Swee Yean (Committee Chairman)<br>(from 8 November 2006 onwards) | 2/4      | 50%  |
| Mr. Siu Siu Ling, Robert  | 4/4      | 100% |
| Dr. Wong Yun Kuen   | 4/4      | 100% |
| Average attendance rate   | 100%     |      |

## DIRECTORS' 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 26 of this report.

# INDEPENDENT AUDITOR'S 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 consolidated financial statements of Ultra Group Holdings Limited (the "Company") set out on pages 28 to 64, which comprise the consolidated balance sheet as at 31 March 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

## OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2007 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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 2007

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

|  | <i>Note</i> | 2007<br><i>HK\$</i>      | 2006<br><i>HK\$</i>      |
|--|-------------|--------------------------|--------------------------|
| <b>Turnover</b>  | 6           | 299,298,481              | 252,032,927              |
| Cost of goods sold   |             | <u>(200,308,299)</u>     | <u>(163,498,632)</u>     |
| <b>Gross profit</b>  |             | 98,990,182               | 88,534,295               |
| Other income   | 7           | 1,879,226                | 1,619,288                |
| Selling and distribution costs   |             | (40,571,027)             | (28,338,973)             |
| Administrative and other operating expenses                              |             | <u>(43,606,641)</u>      | <u>(40,385,621)</u>      |
| <b>Profit from operations</b>  |             | 16,691,740               | 21,428,989               |
| Finance costs  | 8           | <u>(748,945)</u>         | <u>(457,606)</u>         |
| <b>Profit before tax</b>   |             | 15,942,795               | 20,971,383               |
| Income tax expense   | 9           | <u>(69,000)</u>          | <u>(23,299)</u>          |
| <b>Profit for the year attributable to equity holders of the Company</b> | 10          | <u><u>15,873,795</u></u> | <u><u>20,948,084</u></u> |
| Dividends  | 11          | <u><u>–</u></u>          | <u><u>–</u></u>          |
| Basic earnings per share (cents)   | 12          | <u><u>2.94</u></u>       | <u><u>3.88</u></u>       |

# CONSOLIDATED BALANCE SHEET

At 31 March 2007

|  | Note  | 2007<br>HK\$ | 2006<br>HK\$ |
|--|-------|--------------|--------------|
| <b>Non-current assets</b>                    |       |              |              |
| Fixed assets                                 | 15    | 18,313,143   | 13,142,328   |
| Prepaid land lease payments                  | 16    | 1,389,653    | 1,362,266    |
| Intangible asset                             | 17    | 334,463      | –            |
|  |       | 20,037,259   | 14,504,594   |
| <b>Current assets</b>                        |       |              |              |
| Inventories                                  | 18    | 18,540,920   | 11,957,104   |
| Trade and bills receivables                  | 19    | 50,008,088   | 50,775,326   |
| Deposits, prepayments and other receivables  |       | 4,689,931    | 2,810,735    |
| Current tax assets                           |       | 184,754      | 197,674      |
| Pledged bank deposits                        | 26(i) | 3,521,425    | 3,521,425    |
| Bank and cash balances                       | 20    | 46,185,811   | 24,362,335   |
|  |       | 123,130,929  | 93,624,599   |
| <b>Less: Current liabilities</b>             |       |              |              |
| Trade and bills payables                     | 21    | 39,457,334   | 32,167,255   |
| Other payables and accruals                  |       | 28,895,381   | 21,430,911   |
| Dividend payables                            |       | 14,489       | 97,769       |
| Sales deposits received                      |       | 8,330,144    | 8,618,261    |
| Short term borrowings                        | 22    | 10,091,277   | 7,116,418    |
| Current portion of long term borrowings      | 23    | 281,922      | 317,632      |
|  |       | 87,070,547   | 69,748,246   |
| <b>Net current assets</b>                    |       | 36,060,382   | 23,876,353   |
| <b>Total assets less current liabilities</b> |       | 56,097,641   | 38,380,947   |
| <b>Non-current liabilities</b>               |       |              |              |
| Long term borrowings                         | 23    | 480,811      | 780,875      |
| <b>NET ASSETS</b>                            |       | 55,616,830   | 37,600,072   |
| <b>Capital and reserves</b>                  |       |              |              |
| Share capital                                | 24(a) | 5,400,000    | 5,400,000    |
| Reserves                                     |       | 50,216,830   | 32,200,072   |
| <b>TOTAL EQUITY</b>                          |       | 55,616,830   | 37,600,072   |

Approved by the Board of Directors on 21 June 2007.

**Cho Yuen Yi, Wendy**  
Director

**Wong Ching Ngor**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

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

Note:

- (i) Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.
- (ii) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the corporate reorganisation details of which are set out in the Company's prospectus dated 31 December 2003.



# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

|  | 2007<br>HK\$       | 2006<br>HK\$       |
|--|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |                    |                    |
| Profit before tax  | 15,942,795         | 20,971,383         |
| Adjustments for:   |                    |                    |
| Depreciation   | 2,566,051          | 2,398,290          |
| Amortisation of prepaid land lease payments                        | 38,257             | 37,153             |
| Amortisation of intangible asset                                   | 54,837             | –                  |
| Loss on disposal of fixed assets                                   | 77,991             | 67,867             |
| Finance costs  | 748,945            | 457,606            |
| Interest income  | (587,467)          | (214,538)          |
|  | <hr/>              | <hr/>              |
| Operating profit before working capital changes                    | 18,841,409         | 23,717,761         |
| Increase in inventories  | (6,583,816)        | (2,041,810)        |
| Decrease/(increase) in trade and bills receivables                 | 767,238            | (26,678,161)       |
| (Increase)/decrease in deposits, prepayments and other receivables | (1,879,196)        | 7,799              |
| Increase in trade and bills payables                               | 7,290,079          | 8,541,260          |
| Increase in other payables and accruals                            | 7,464,470          | 8,938,159          |
| (Decrease)/increase in sales deposits received                     | (288,117)          | 3,073,702          |
|  | <hr/>              | <hr/>              |
| Cash generated from operations                                     | 25,612,067         | 15,558,710         |
| Interest paid  | (748,945)          | (457,606)          |
| Hong Kong Profits Tax (paid)/refund                                | (56,080)           | 414,073            |
|  | <hr/>              | <hr/>              |
| <b>Net cash from operating activities</b>                          | <b>24,807,042</b>  | <b>15,515,177</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |                    |                    |
| Dividend paid  | (83,280)           | (281,334)          |
| Interest received  | 587,467            | 214,538            |
| Purchase of fixed assets   | (7,331,285)        | (3,593,535)        |
| Purchase of intangible asset                                       | (389,300)          | –                  |
| Proceeds from disposal of fixed assets                             | 21,097             | –                  |
| Decrease in pledged bank deposits                                  | –                  | 1,518,917          |
|  | <hr/>              | <hr/>              |
| <b>Net cash used in investing activities</b>                       | <b>(7,195,301)</b> | <b>(2,141,414)</b> |

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

|   | 2007<br>HK\$             | 2006<br>HK\$             |
|---|--------------------------|--------------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                           |                          |                          |
| Repayment of bank loans   | (4,133,124)              | (3,109,966)              |
| Bank loans raised   | 5,041,650                | 2,884,500                |
| Net borrowings/(repayment) of trust receipt and trade financing loans | 1,826,039                | (396,492)                |
| Repayment of finance lease payables                                   | (235,970)                | (169,522)                |
| <b>Net cash from/(used in) financing activities</b>                   | <u>2,498,595</u>         | <u>(791,480)</u>         |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                      | 20,110,336               | 12,582,283               |
| <b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>                        | <u>1,713,140</u>         | <u>410,245</u>           |
|   | 21,823,476               | 12,992,528               |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                 | <u>24,362,335</u>        | <u>11,369,807</u>        |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                       | <u><u>46,185,811</u></u> | <u><u>24,362,335</u></u> |
| <b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>                          |                          |                          |
| Bank and cash balances  | <u><u>46,185,811</u></u> | <u><u>24,362,335</u></u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 25 to the financial statements.

## 2. ADOPTION OF NEW AND REVISED HKFRSs

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The significant 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Foreign currency translation (continued)

#### (iii) Translation on consolidation

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

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

### (c) Fixed assets

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Fixed assets (continued)

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

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

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

### (d) Leases

#### (i) Operating leases

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

#### (ii) Finance leases

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Intangible asset

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

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

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

### (f) Inventories

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

### (g) Trade, bills and other receivables

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Cash and cash equivalents

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

### (i) Financial liability and equity instruments

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

#### *Borrowings*

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

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

#### *Trade and other payables*

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

#### *Equity instruments*

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

### (j) Revenue recognition

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Revenue recognition (continued)

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

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

### (k) Employee benefits

#### (i) *Employee leave entitlements*

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

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

#### (ii) *Pension obligations*

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

### (l) Borrowing costs

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

### (m) Government grants

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial 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, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Related parties

A party is related to the Group if:

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a joint venture;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

### (p) Segment reporting

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Segment reporting (continued)

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

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

### (q) Impairment of assets

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Provisions and contingent liabilities

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

### (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 to the financial statements when material.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### *Fixed assets and depreciation*

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

### *Recoverability of trade and bills receivables*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 5. FINANCIAL RISK MANAGEMENT

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

### (a) Foreign currency risk

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

### (b) Credit risk

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

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

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

### (c) Liquidity risk

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

### (d) Interest rate risk

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

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

### (e) Fair values

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 6. TURNOVER

|                | 2007<br>HK\$       | 2006<br>HK\$       |
|----------------|--------------------|--------------------|
| Turnover       |                    |                    |
| Sales of goods | <u>299,298,481</u> | <u>252,032,927</u> |

## 7. OTHER INCOME

|                   | 2007<br>HK\$     | 2006<br>HK\$     |
|-------------------|------------------|------------------|
| Government grants | 328,812          | –                |
| Interest income   | 587,467          | 214,538          |
| Service income    | –                | 740,487          |
| Sundry income     | 962,947          | 664,263          |
|                   | <u>1,879,226</u> | <u>1,619,288</u> |

## 8. FINANCE COSTS

|                                       | 2007<br>HK\$   | 2006<br>HK\$   |
|---------------------------------------|----------------|----------------|
| Finance lease charges                 | 25,627         | 22,100         |
| Interest on bank loans and overdrafts | 723,318        | 435,506        |
|                                       | <u>748,945</u> | <u>457,606</u> |

## 9. INCOME TAX EXPENSE

|                                     | 2007<br>HK\$  | 2006<br>HK\$  |
|-------------------------------------|---------------|---------------|
| Current tax – Hong Kong Profits Tax |               |               |
| – provision for the year            | 69,000        | –             |
| – underprovision in prior years     | –             | 23,299        |
|                                     | <u>69,000</u> | <u>23,299</u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 9. INCOME TAX EXPENSE (CONTINUED)

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

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

At the balance sheet date, the Group has unused tax losses, that can be carried forward indefinitely, approximately to HK\$7,706,000 (2006: HK\$9,491,000). These tax losses are available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

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

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

|  | 2007<br>HK\$      | 2006<br>HK\$      |
|--|-------------------|-------------------|
| Profit before tax  | <u>15,942,795</u> | <u>20,971,383</u> |
| Tax at the domestic income tax rate of 17.5%<br>(2006: 17.5%)        | 2,789,989         | 3,669,992         |
| Tax effect of income that is not taxable                             | (31,630)          | (17,284)          |
| Tax effect of expenses that is not deductible                        | 238,718           | 19,547            |
| Tax effect of profits that is exempted from PRC<br>tax authority     | (2,434,297)       | (2,557,366)       |
| Tax effect of utilisation of tax losses not<br>previously recognised | (343,541)         | (1,224,693)       |
| Temporary difference not recognised                                  | (150,239)         | 109,804           |
| Underprovision in prior years  | —                 | <u>23,299</u>     |
| Income tax expense   | <u>69,000</u>     | <u>23,299</u>     |



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

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

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

|  | 2007<br>HK\$                | 2006<br>HK\$                |
|--|-----------------------------|-----------------------------|
| Amortisation of intangible asset (included in administrative and other operating expenses) | 54,837                      | –                           |
| Auditors' remuneration   | 556,460                     | 501,057                     |
| Cost of inventories sold before allowance  | 149,424,876                 | 123,885,427                 |
| Allowance for obsolete inventories   | 496,351                     | 691,053                     |
|  | 149,921,227                 | 124,576,480                 |
| Depreciation   | 2,566,051                   | 2,398,290                   |
| Loss on disposal of fixed assets   | 77,991                      | 67,867                      |
| Operating lease rentals in respect of land and buildings                                   | 7,744,075                   | 5,470,301                   |
| Staff costs (including directors' emoluments ( <i>note 13</i> ))                           |                             |                             |
| Basic salaries, bonuses, allowances and benefits in kind                                   | 40,389,769                  | 32,701,254                  |
| Retirement benefits scheme contributions   | 2,882,300                   | 2,753,257                   |
| Allowance for doubtful debts   | 1,359,213                   | 711,135                     |
| Net exchange losses  | 762,497                     | 479,543                     |
|  | <u>                    </u> | <u>                    </u> |

## 11. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2006: HK\$Nil).

## 12. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of HK\$15,873,795 (2006: HK\$20,948,084) and on the weighted average number of ordinary shares of 540,000,000 (2006: 540,000,000) in issue during the year.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 13. 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:

| Name of director                                     | Fees<br>HK\$  | Salaries,<br>allowances<br>and benefits<br>in kind<br>HK\$ | Discretionary<br>bonus<br>HK\$ | Retirement<br>benefits<br>scheme<br>contributions<br>HK\$ | Total<br>emoluments<br>HK\$ |
|--|---------------|--|--------------------------------|---|-----------------------------|
| <b>Executive directors</b>                           |               |  |                                |   |                             |
| Ms. Cho Yuen Yi, Wendy                               | –             | 1,290,297  | 1,122,000                      | 12,000  | 2,424,297                   |
| Ms. Wong Ching Ngor                                  | –             | 936,000  | 378,000                        | 12,000  | 1,326,000                   |
| <b>Independent non-executive directors</b>           |               |  |                                |   |                             |
| Mr. Siu Siu Ling, Robert                             | 21,666        | –  | –                              | –   | 21,666                      |
| Mr. Kong Tze Wing (resigned<br>on 8 November 2006)   | 17,041        | –  | –                              | –   | 17,041                      |
| Mr. Liew Swee Yean (appointed<br>on 8 November 2006) | 9,611         | –  | –                              | –   | 9,611                       |
| Dr. Wong Yun Kuen                                    | 21,666        | –  | –                              | –   | 21,666                      |
| <b>Total for 2007</b>                                | <b>69,984</b> | <b>2,226,297</b>   | <b>1,500,000</b>               | <b>24,000</b>   | <b>3,820,281</b>            |
| <b>Executive directors</b>                           |               |  |                                |   |                             |
| Ms. Cho Yuen Yi, Wendy                               | –             | 1,424,903  | 2,050,600                      | 12,000  | 3,487,503                   |
| Ms. Wong Ching Ngor                                  | –             | 792,000  | –                              | 12,000  | 804,000                     |
| <b>Independent non-executive directors</b>           |               |  |                                |   |                             |
| Mr. Siu Siu Ling, Robert                             | 20,000        | –  | –                              | –   | 20,000                      |
| Mr. Kong Tze Wing                                    | 20,000        | –  | –                              | –   | 20,000                      |
| Dr. Wong Yun Kuen                                    | 20,000        | –  | –                              | –   | 20,000                      |
| <b>Total for 2006</b>                                | <b>60,000</b> | <b>2,216,903</b>   | <b>2,050,600</b>               | <b>24,000</b>   | <b>4,351,503</b>            |

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2006: HK\$Nil)

No option was granted to any directors under the share option scheme during the year. (2006: Nil)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 13. 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 (2006: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2006: three) individuals are set out below:

|  | 2007<br>HK\$     | 2006<br>HK\$     |
|--|------------------|------------------|
| Basic salaries, bonuses, allowances and benefits in kind | 3,089,439        | 2,807,330        |
| Retirement benefits scheme contributions                 | 58,669           | 54,851           |
|  | <u>3,148,108</u> | <u>2,862,181</u> |

The emoluments of five highest paid individuals (including directors) fell within the following bands:

|                                | 2007     | 2006     |
|--------------------------------|----------|----------|
| Nil to HK\$1,000,000           | 1        | 3        |
| HK\$1,000,001 to HK\$1,500,000 | 3        | 1        |
| HK\$1,500,001 to HK\$2,000,000 | –        | –        |
| HK\$2,000,001 to HK\$2,500,000 | 1        | –        |
| HK\$2,500,001 to HK\$3,000,000 | –        | –        |
| HK\$3,000,001 to HK\$3,500,000 | –        | 1        |
|                                | <u>5</u> | <u>5</u> |

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.

## 14. RETIREMENT BENEFITS

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 15. FIXED ASSETS

|                                      | Buildings improvements<br>HK\$ | Leasehold improvements<br>HK\$ | Plant and machinery<br>HK\$ | Office equipment<br>HK\$ | Furniture and fixtures<br>HK\$ | Moulds<br>HK\$ | Motor vehicles<br>HK\$ | Construction in progress<br>HK\$ | Total<br>HK\$     |
|--------------------------------------|--------------------------------|--------------------------------|-----------------------------|--------------------------|--------------------------------|----------------|------------------------|----------------------------------|-------------------|
| <b>Cost</b>                          |                                |                                |                             |                          |                                |                |                        |                                  |                   |
| At 1 April 2005                      | 5,682,253                      | 3,349,249                      | 4,982,535                   | 5,170,393                | 3,301,050                      | 1,311,050      | 607,449                | -                                | 24,403,979        |
| Additions                            | -                              | 795,250                        | 1,080,734                   | 1,306,893                | 142,756                        | 1,000          | 471,334                | 260,402                          | 4,058,369         |
| Disposals                            | -                              | -                              | (153,855)                   | (26,056)                 | -                              | -              | -                      | -                                | (179,911)         |
| Translation difference               | 80,449                         | 31,772                         | 74,797                      | 24,940                   | 28,764                         | -              | -                      | -                                | 240,722           |
| At 31 March 2006 and<br>1 April 2006 | 5,762,702                      | 4,176,271                      | 5,984,211                   | 6,476,170                | 3,472,570                      | 1,312,050      | 1,078,783              | 260,402                          | 28,523,159        |
| Additions                            | 1,621,421                      | 1,391,416                      | 2,126,239                   | 1,620,473                | 359,680                        | -              | 151,700                | 60,356                           | 7,331,285         |
| Disposals                            | -                              | (343,561)                      | (72,404)                    | (128,614)                | -                              | -              | (348,000)              | -                                | (892,579)         |
| Transfer                             | 273,085                        | -                              | -                           | -                        | -                              | -              | -                      | (273,085)                        | -                 |
| Translation difference               | 277,019                        | 138,040                        | 316,855                     | 112,681                  | 105,685                        | -              | -                      | 12,683                           | 962,963           |
| At 31 March 2007                     | 7,934,227                      | 5,362,166                      | 8,354,901                   | 8,080,710                | 3,937,935                      | 1,312,050      | 882,483                | 60,356                           | 35,924,828        |
| <b>Accumulated depreciation</b>      |                                |                                |                             |                          |                                |                |                        |                                  |                   |
| At 1 April 2005                      | 1,361,120                      | 2,357,493                      | 3,277,696                   | 2,884,347                | 1,438,196                      | 1,304,114      | 372,263                | -                                | 12,995,229        |
| Charge for the year                  | 48,332                         | 617,785                        | 621,277                     | 667,057                  | 295,980                        | 3,531          | 144,328                | -                                | 2,398,290         |
| Disposals                            | -                              | -                              | (97,127)                    | (14,917)                 | -                              | -              | -                      | -                                | (112,044)         |
| Translation difference               | 17,740                         | 18,814                         | 47,000                      | 9,446                    | 6,356                          | -              | -                      | -                                | 99,356            |
| At 31 March 2006 and<br>1 April 2006 | 1,427,192                      | 2,994,092                      | 3,848,846                   | 3,545,933                | 1,740,532                      | 1,307,645      | 516,591                | -                                | 15,380,831        |
| Charge for the year                  | 120,644                        | 563,561                        | 397,859                     | 911,274                  | 304,966                        | 2,759          | 264,988                | -                                | 2,566,051         |
| Disposals                            | -                              | (343,561)                      | (40,057)                    | (61,873)                 | -                              | -              | (348,000)              | -                                | (793,491)         |
| Translation difference               | 67,913                         | 95,517                         | 201,594                     | 56,068                   | 37,202                         | -              | -                      | -                                | 458,294           |
| At 31 March 2007                     | 1,615,749                      | 3,309,609                      | 4,408,242                   | 4,451,402                | 2,082,700                      | 1,310,404      | 433,579                | -                                | 17,611,685        |
| <b>Carrying amount</b>               |                                |                                |                             |                          |                                |                |                        |                                  |                   |
| At 31 March 2007                     | <u>6,318,478</u>               | <u>2,052,557</u>               | <u>3,946,659</u>            | <u>3,629,308</u>         | <u>1,855,235</u>               | <u>1,646</u>   | <u>448,904</u>         | <u>60,356</u>                    | <u>18,313,143</u> |
| At 31 March 2006                     | <u>4,335,510</u>               | <u>1,182,179</u>               | <u>2,135,365</u>            | <u>2,930,237</u>         | <u>1,732,038</u>               | <u>4,405</u>   | <u>562,192</u>         | <u>260,402</u>                   | <u>13,142,328</u> |

At 31 March 2007 the carrying amount of the Group's buildings situated in the PRC amounted to HK\$4,303,528 (2006: HK\$4,196,041) pledged as security for the Group's banking facilities.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 16. PREPAID LAND LEASE PAYMENTS

|                                   | <i>HK\$</i>             |
|-----------------------------------|-------------------------|
| <b>Cost</b>                       |                         |
| At 1 April 2005                   | 1,650,626               |
| Translation difference            | <u>23,683</u>           |
| At 31 March 2006 and 1 April 2006 | 1,674,309               |
| Translation difference            | <u>81,547</u>           |
| At 31 March 2007                  | <u>1,755,856</u>        |
| <b>Accumulated amortisation</b>   |                         |
| At 1 April 2005                   | 271,002                 |
| Charge for the year               | 37,153                  |
| Translation difference            | <u>3,888</u>            |
| At 31 March 2006 and 1 April 2006 | 312,043                 |
| Charge for the year               | 38,257                  |
| Translation difference            | <u>15,903</u>           |
| At 31 March 2007                  | <u>366,203</u>          |
| <b>Carrying amount</b>            |                         |
| At 31 March 2007                  | <u><u>1,389,653</u></u> |
| At 31 March 2006                  | <u><u>1,362,266</u></u> |

At 31 March 2007 the carrying amount of the Group's prepaid land lease payments represents payments for land use rights situated in the PRC held under medium term leases amounted to HK\$1,389,653 (2006: HK\$1,362,266) pledged as security for the Group's banking facilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 17. INTANGIBLE ASSET

|   | License<br>HK\$ |
|---|-----------------|
| <b>Cost</b>                                     |                 |
| At 1 April 2005, 31 March 2006 and 1 April 2006 | –               |
| Additions                                       | 389,300         |
| At 31 March 2007                                | 389,300         |
| <b>Accumulated amortisation</b>                 |                 |
| At 1 April 2005, 31 March 2006 and 1 April 2006 | –               |
| Charge for the year                             | 54,837          |
| At 31 March 2007                                | 54,837          |
| <b>Carrying amount</b>                          |                 |
| At 31 March 2007                                | 334,463         |
| At 31 March 2006                                | –               |

## 18. INVENTORIES

|   | 2007<br>HK\$      | 2006<br>HK\$      |
|---|-------------------|-------------------|
| Raw materials                           | 10,649,370        | 8,932,461         |
| Work in progress                        | 1,916,865         | 1,360,966         |
| Finished goods                          | 8,566,445         | 3,669,669         |
| Less: Allowance of obsolete inventories | (2,591,760)       | (2,005,992)       |
|   | <u>18,540,920</u> | <u>11,957,104</u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 19. TRADE AND BILLS RECEIVABLES

|                                    | 2007<br>HK\$             | 2006<br>HK\$             |
|------------------------------------|--------------------------|--------------------------|
| Trade and bills receivables        | 53,485,251               | 52,840,646               |
| Less: Allowance for doubtful debts | <u>(3,477,163)</u>       | <u>(2,065,320)</u>       |
|                                    | <u><u>50,008,088</u></u> | <u><u>50,775,326</u></u> |

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

|                                    | 2007<br>HK\$             | 2006<br>HK\$             |
|------------------------------------|--------------------------|--------------------------|
| 0 – 30 days                        | 22,490,435               | 15,885,992               |
| 31 – 60 days                       | 6,275,748                | 7,663,282                |
| 61 – 90 days                       | 4,257,967                | 14,083,781               |
| Over 90 days                       | 20,461,101               | 15,207,591               |
| Less: Allowance for doubtful debts | <u>(3,477,163)</u>       | <u>(2,065,320)</u>       |
|                                    | <u><u>50,008,088</u></u> | <u><u>50,775,326</u></u> |

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

|      | 2007<br>HK\$             | 2006<br>HK\$             |
|------|--------------------------|--------------------------|
| US\$ | 112,744                  | 618,784                  |
| RMB  | <u>29,013,097</u>        | <u>26,326,277</u>        |
|      | <u><u>29,125,841</u></u> | <u><u>26,945,061</u></u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 20. BANK AND CASH BALANCES

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

|      | 2007<br>HK\$      | 2006<br>HK\$     |
|------|-------------------|------------------|
| US\$ | 4,278,062         | 1,724,584        |
| RMB  | 10,241,857        | 5,932,102        |
|      | <u>14,519,919</u> | <u>7,656,686</u> |

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

## 21. TRADE AND BILLS PAYABLES

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

|              | 2007<br>HK\$      | 2006<br>HK\$      |
|--------------|-------------------|-------------------|
| 0 – 30 days  | 21,317,075        | 13,911,905        |
| 31 – 60 days | 8,197,644         | 9,009,638         |
| 61 – 90 days | 5,748,462         | 4,777,133         |
| Over 90 days | 4,194,153         | 4,468,579         |
|              | <u>39,457,334</u> | <u>32,167,255</u> |

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

|        | 2007<br>HK\$      | 2006<br>HK\$      |
|--------|-------------------|-------------------|
| US\$   | 1,499,261         | 1,147,909         |
| RMB    | 24,509,743        | 22,555,883        |
| EUR    | 5,846,968         | 2,501,056         |
| Others | 1,058             | 229,529           |
|        | <u>31,857,030</u> | <u>26,434,377</u> |



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 22. SHORT TERM BORROWINGS

|   | 2007<br>HK\$      | 2006<br>HK\$     |
|---|-------------------|------------------|
| Bank loans – secured ( <i>note 26</i> )                                 | 4,033,320         | 2,884,500        |
| Trust receipt and trade financing loans<br>– secured ( <i>note 26</i> ) | 6,057,957         | 4,231,918        |
|   | <u>10,091,277</u> | <u>7,116,418</u> |

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

## 23. LONG TERM BORROWINGS

|   | 2007<br>HK\$   | 2006<br>HK\$     |
|---|----------------|------------------|
| Interest bearing borrowings             |                |                  |
| Bank loan – secured ( <i>note 26</i> )  | 274,441        | 374,245          |
| Obligations under finance leases        | 488,292        | 724,262          |
|   | <u>762,733</u> | <u>1,098,507</u> |
| Current portion of long term borrowings | (281,922)      | (317,632)        |
|   | <u>480,811</u> | <u>780,875</u>   |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

### 23. LONG TERM BORROWINGS (CONTINUED)

(a) The bank loan is repayable as follows:

|                                       | 2007<br>HK\$   | 2006<br>HK\$   |
|---------------------------------------|----------------|----------------|
| Within one year                       | 99,804         | 99,804         |
| In the second year                    | 99,804         | 99,804         |
| In the third to fifth years inclusive | 74,833         | 174,637        |
|                                       | <u>274,441</u> | <u>374,245</u> |

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

|  | 2007  |  |   | 2006  |  |   |
|--|---|--|---|---|--|---|
|  | Present<br>value of the<br>minimum<br>lease<br>payments<br>HK\$ | Interest<br>expenses<br>relating to<br>future<br>periods<br>HK\$ | Total<br>minimum<br>lease<br>payments<br>HK\$ | Present<br>value of the<br>minimum<br>lease<br>payments<br>HK\$ | Interest<br>expenses<br>relating to<br>future<br>periods<br>HK\$ | Total<br>minimum<br>lease<br>payments<br>HK\$ |
| Within one year                          | 182,118   | 20,442   | 202,560                                       | 217,828   | 43,676   | 261,504                                       |
| In the second year                       | 158,240   | 17,416   | 175,656                                       | 181,298   | 21,255   | 202,553                                       |
| In the third to<br>fifth years inclusive | 147,934   | 15,912   | 163,846                                       | 325,136   | 17,787   | 342,923                                       |
|  | <u>488,292</u>  | <u>53,770</u>  | <u>542,062</u>                                | <u>724,262</u>  | <u>82,718</u>  | <u>806,980</u>                                |

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

Bank loan of HK\$274,441 (2006: HK\$374,245) is arranged at floating rate and thus exposing the Group to cash flow interest rate risk. The interest rate was 8.8% (2006: 7.2%) at 31 March 2007.

The average effective borrowing rate of the obligations under finance leases was 6.1% (2006: 5.1%) at 31 March 2007. 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 2007

## 24. SHARE CAPITAL

### (a) Shares

|  | 2007<br>HK\$       | 2006<br>HK\$       |
|--|--------------------|--------------------|
| Authorised:<br>10,000,000,000 ordinary shares of HK\$0.01 each         | <u>100,000,000</u> | <u>100,000,000</u> |
| Issued and fully paid:<br>540,000,000 ordinary shares of HK\$0.01 each | <u>5,400,000</u>   | <u>5,400,000</u>   |

### (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 2007, no option has been granted or agreed to be granted under the share option scheme.

## 25. SUBSIDIARIES

Particulars of the subsidiaries at 31 March 2007 are as follows:

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 25. SUBSIDIARIES (CONTINUED)

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

## 26. BANKING FACILITIES

As at 31 March 2007, the Group has been granted banking facilities totalling HK\$25.3 million (2006: HK\$18.2 million) of which HK\$17.4 million (2006: HK\$11.1 million) were utilised and were secured by the following:

- (i) Pledge of fixed deposits of approximately HK\$3.5 million (2006: HK\$3.5 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 15 and 16).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 27. CONTINGENT LIABILITIES

The Group is a co-defendant with a Group's staff in a lawsuit brought by a party in a personal injury claim involving a traffic accident. The Group and its insurance company have been contesting the claim, and while the final outcome of the proceedings is uncertain, it is the directors' opinion that the ultimate liability, if any, will not have a material impact on the Group's financial position. (2006: HK\$Nil)

## 28. CAPITAL COMMITMENTS

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

|   | 2007<br>HK\$ | 2006<br>HK\$ |
|---|--------------|--------------|
| Contracted but not provided for<br>– construction of factory premises | –            | 871,294      |

## 29. LEASE COMMITMENTS

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

|  | 2007<br>HK\$      | 2006<br>HK\$      |
|--|-------------------|-------------------|
| Within one year                        | 7,564,900         | 5,793,127         |
| In the second to fifth years inclusive | 7,451,312         | 9,410,673         |
|  | <u>15,016,212</u> | <u>15,203,800</u> |

## 30. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

|                          | 2007<br>HK\$  | 2006<br>HK\$ |
|--------------------------|---------------|--------------|
| Sales to:                |               |              |
| – Ms. Cho Yuen Yi, Wendy | 30,227        | –            |
| – James T.W. Kong & Co.  | 34,085        | –            |
|                          | <u>64,312</u> | <u>–</u>     |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 31. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date the Group entered into a share subscription agreement with an independent third party, whereby subject to certain conditions, to subscribe 51% entire issued share capital of Global On-Line Distribution Limited (“Global On-Line”) at a cash consideration of HK\$5,100. The Group will also advance HK\$2,250,000 to this company. The directors of the Company expect that the closing of the subscription of the 51% entire issued share capital of Global On-Line will take place on or before 31 July 2007. Save as those information disclosed in the Company’s announcement issued on 18 June 2007, the other financial information related to this transaction is not available as this transaction has not been completed at the date of publication of this report.

## 32. SEGMENT INFORMATION

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

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

### Geographical segments

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

#### *For the year ended 31 March 2007*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 32. SEGMENT INFORMATION (CONTINUED)

### Geographical segments (continued)

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

*At 31 March 2007*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 32. SEGMENT INFORMATION (CONTINUED)

### Geographical segments (continued)

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

*For the year ended 31 March 2006*

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 32. SEGMENT INFORMATION (CONTINUED)

### Geographical segments (continued)

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

At 31 March 2006

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

## 33. NOTE TO THE CONSOLIDATED 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\$Nil (2006: HK\$464,834).

## 34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 June 2007.