

Analyst: Sam Ho

GEM Board Listing- Research

歐美集團控股有限公司

Ultra Group Holdings Limited [Stock Code: 8203]

Sponsor : Deloitte & Touche Corporate Finance Ltd

Lead manager : Upbest Securities Company Limited

Co-Lead manager : Japan Asia Securities Limited

Sector : Manufacturing

Business : Design, manufacture and sale of office furniture

Total share offer: <u>135,000,000</u> shares (25% of the enlarged share capital) IPO: 135,000,000 shares (100%) Price: HK\$0.21 per share Market cap. : HK\$113.4 million Historical FY2003 P/E: 6x (fully diluted) Adjusted NAV per share: HK\$4.04 Staffing: 568 IPO opens: 31 st December 2003 IPO closes: 8 th January 2004 Share registrar: Computershare Hong Kong Investor Services Limited Receiving bank: Wing Hang Bank Listing date: 20 th January 2004	<u>Business of Ultra Group</u> The Company is principally engaged in the design, manufacture and sale of a wide range of office furniture, including panels, desks, cabinets and chairs. It also provides some value-added services such as budget planning, furniture design and layout planning, project management, site project coordination, relocation services and after-sales support to customers at no charge or at a minimal fee. Most of its products are manufactured by itself under its own brand name "Ultra". Apart from its own products, the Company also purchases finished products from other suppliers. Headquartered in Hong Kong, the Company currently has 3 sales offices in the PRC located in Beijing, Shanghai and Guangzhou. It also has distribution arrangements in Chengdu, Chongqing and Shenyang. Its production facilities are located in Zhaoqing, Guangdong province, with a GFA of some 12,277 m ² . The Company is also licensed to use various factory facilities at Gaoyao City, Zhaoqing until 1-Jun-2005.
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Major Shareholders after Listing

Mr Jack Cho (aged: 36), an executive director of the Company *	20.550%
Ms Wendy Cho (aged: 35), chairman of the Company *	20.550%
Mr Chan Pak Hung and Mr Chan Pat Leung, independent 3 rd parties *	15.000%
Mr Chan Kwai Wing, an independent 3 rd party	4.530%
Mr Wang Pei De, an independent 3 rd party	3.015%
Ms Huang Clare, an independent 3 rd party	3.990%
Ms Mau Tsz Ming, Alda, an independent 3 rd party	3.990%
Ms Sin Po wah, an independent 3 rd party	3.375%
	<u>75.000%</u>

*- these shareholders are subject to a 12-month lock-up period

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Use of Proceeds

Net proceeds from the offer are estimated to be HK\$13.85 million

	HK\$ million
To use for the promotion and marketing of the Company's brand name	5.00
To establish and expand the sales and distribution network in the PRC	5.00
To develop its existing products and launch new products	3.00
To serve as general working capital	0.85

Financial Highlights

	3 months ended 30 th June 2003 HK\$'000	Year ended 31 st March 2003 HK\$'000	2002 HK\$'000
Revenue			
<i>Hong Kong</i>	9,711	56,466	82,112
<i>Shanghai</i>	5,279	35,436	18,710
<i>Beijing</i>	3,684	13,800	11,713
<i>Guangzhou</i>	2,568	6,195	-
<i>Other cities</i>	1,334	2,200	2,671
<i>Overseas</i>	<u>1,863</u>	<u>4,618</u>	<u>3,147</u>
	<u>24,439</u>	<u>118,715</u>	<u>118,353</u>
Operating profit	<u>419</u>	<u>20,080</u>	<u>15,320</u>
Net profit	<u>558</u>	<u>18,890</u>	<u>14,534</u>
EPS	<u>HK¢0.14</u>	<u>HK¢4.66</u>	<u>HK¢3.59</u>
Dividend	-	11,000	-

Strengths

- ✓ Priced at HK\$0.21 per share, the Company is valued at a historical P/E of 6x, which is fair, when compared with other listed furniture peers like Chitaly (*stock code: 1198*) and I-Wood (*stock code: 0162*) with their historical P/E of historical 11x and 6.1x respectively.

Weaknesses

- × Owing to the low entry barrier, there is intense competition in the office-furniture market in the PRC. With the PRC's accession to the WTO, it is expected that an increasing number of foreign companies will enter the PRC office furniture market.
- × The Company had net current liabilities of HK\$11.85 million, HK\$5.96 million and HK\$5.82 million as at 31/03/2002, 31/03/2003 and 30/06/2003 respectively. It is not financially strong even after taking into account of the IPO proceeds.
- × The Company was doomed by certain litigations, which have not been fully settled or discontinued as at the Latest Practicable Date. Although most of the litigations were commenced more than 3 years ago and no further actions have been taken by the counter parties, there remains a risk that the Company may suffer unforeseen damages.

Recommendation: Unexciting