

**THIRD QUARTERLY REPORT**

二零零七年 第三季度報告

(Stock Code 股份代號 : 8203)

07

**CHALLENGER GROUP HOLDINGS LIMITED**  
**挑戰者集團控股有限公司\***

( formerly known as *Ultra Group Holdings Limited* )  
( 前稱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 )

\* For identification purposes only 僅供識別

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

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

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

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

- Turnover from the continuing operations and discontinued operations of the Group for the nine months ended 31 December 2007 amounted to approximately HK\$288.4 million (2006: HK\$229.0 million), representing an increase of approximately 25.9% as compared to the same period last year.
- Net profit attributable to equity holders of the Company for the nine months ended 31 December 2007 amounted to approximately HK\$73.1 million (2006: HK\$13.1 million), representing an increase of approximately 558.3% as compared to the same period last year.
- Earnings per share from the continuing operations and discontinued operations of the Group was approximately HK cents 13.5 (2006: HK cents 2.4) for the nine months ended 31 December 2007.

**02 | UNAUDITED CONSOLIDATED INCOME STATEMENT**

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2007

The board of directors (the “Board” or the “Directors”) of Challenger Group Holdings Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the three and nine months ended 31 December 2007, together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

	Notes	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>Continuing operations</b>					
Turnover	3	14,137	0	22,982	0
Cost of sales		(3,395)	0	(5,608)	0
<b>Gross profit</b>		<b>10,742</b>	0	<b>17,374</b>	0
Other income		972	42	2,357	154
Selling and distribution costs		(725)	0	(1,178)	(3)
Administrative and other operating expenses		(10,345)	(226)	(18,829)	(615)
Profit from operations		644	(184)	(276)	(464)
Finance costs		(15)	0	(35)	0
(Loss)/Profit for the period from continuing operations		629	(184)	(311)	(464)
Gain on disposal of a subsidiary	5	64,259	–	64,259	–
<b>Discontinued operations</b>	4				
Profit/(loss) for the period from discontinued operations		(1,057)	3,431	9,177	13,559
Profit before taxation		63,831	3,247	73,125	13,095
Taxation	6	5	–	–	–
<b>Profit for the period</b>		<b>63,836</b>	3,247	<b>73,125</b>	13,095
Dividends	7	–	–	–	–
Profit for the period attributable to:					
Equity holders of the parent		63,655	3,247	73,105	13,095
Minority interests		181	0	20	0
		<b>63,836</b>	3,247	<b>73,125</b>	13,095
<b>Earnings per share</b>	8				
<b>For continuing and discontinued operations</b>					
Basic (HK cents per share)		11.79	0.60	13.54	2.43
<b>For continuing operations</b>					
Basic (HK cents per share)		0.08	(0.03)	(0.06)	(0.09)

## 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 name of the Company had been changed from “Ultra Group Holdings Limited 歐美集團控股有限公司” to “Challenger Group Holdings Limited” on 7th January, 2008 and the Certificate of Incorporation on Change of Name of the Company was issued by the Registrar of Companies in the Cayman Islands on 7th January, 2008. The Company had carried out the necessary filing procedures of the new Chinese company name “挑戰者集團控股有限公司” with the Registrar of Companies in Hong Kong. A further announcement will be made by the Company when obtaining the certificate of registration on change of name of non-Hong Kong company from the Companies Registry of Hong Kong and the new stock short name becomes effective. 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 Unit 203, 2/F, Block B, Sea View Estate, 2-8 Watson Road, North Point, Hong Kong. The Company's shares were listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 20 January 2004.

## 2. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the applicable disclosures required by the GEM Listing Rules.

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

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

The accounting policies and basis of the preparation of the financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2007.

## 3. Turnover

The Group is principally engaged in the business of on-line distribution of office supplies and equipments; and the auto repairing and detailing services businesses.

## 04 | NOTES TO THE FINANCIAL STATEMENT

### 4. Discontinued operations

As mentioned in the announcement of the Company dated 14 September 2007, the Company has entered into the sale and purchase agreement on 20 August 2007 to sell the entire issued share capital of Ultra Group Company Limited to Steelcase Asia Pacific Holdings LLC (the "Disposal"). Upon the completion of the Disposal on 31 October 2007, the Group has discontinued its operations in respect of the design, manufacture and sale of office furniture.

### 5. Gain on disposal of a subsidiary

As mentioned in note 4, the Group disposed of a subsidiary on 31 October 2007. After the financial adjustment, the consideration was approximately HK\$121.4 million resulting a gain of approximately HK\$64.3 million.

### 6. Taxation

No provision for Hong Kong profits tax is required since the Group has sufficient tax losses brought forward to set off against current year's assessable profit for the year.

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

### 7. Dividends

The Directors resolved not to declare payment of dividend for the nine months ended 31 December 2007 (2006: Nil).

### 8. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company for the three months and nine months ended 31 December 2007 of HK\$63.7 million (2006: HK\$3.2 million) and HK\$73.1 million (2006: HK\$13.1 million) respectively, as well as 540,000,000 (2006: 540,000,000) ordinary shares of the Company in issue during the period.

No diluted earnings per share have been presented as the Company did not have any diluted potential ordinary shares during the nine months ended 31 December 2007.

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## 9. Reserve and capital

	Reserves								
	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Retained profits	Total reserve	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	5,400	9,536	(122)	483	22,303	32,200	37,600	-	37,600
Translation difference	-	-	-	1,788	-	1,788	1,788	-	1,788
Net income recognised directly in equity	-	-	-	1,788	-	1,788	1,788	-	1,788
Profit for the period	-	-	-	-	13,095	13,095	13,095	-	13,095
Total recognised income and expense for the period	-	-	-	1,788	13,095	14,883	14,883	-	14,883
At 31 December 2006	<u>5,400</u>	<u>9,536</u>	<u>(122)</u>	<u>2,271</u>	<u>35,398</u>	<u>47,083</u>	<u>52,483</u>	<u>-</u>	<u>52,483</u>
At 1 April 2007	5,400	9,536	(122)	2,626	38,177	50,217	55,617	-	55,617
Translation difference	-	-	-	1,836	-	1,836	1,836	-	1,836
Net income recognised directly in equity	-	-	-	1,836	-	1,836	1,836	-	1,836
Profit for the period	-	-	-	-	73,105	73,105	73,105	20	73,125
Total recognised income and expense for the period	-	-	-	1,836	73,105	74,941	74,941	20	74,961
Disposal of subsidiary	-	-	122	(4,462)	(122)	(4,462)	(4,462)	-	(4,462)
Minority interests	-	-	-	-	-	-	-	4,677	4,677
At 31 December 2007	<u>5,400</u>	<u>9,536</u>	<u>-</u>	<u>-</u>	<u>111,160</u>	<u>120,696</u>	<u>126,096</u>	<u>4,697</u>	<u>130,793</u>

## 06 | MANAGEMENT DISCUSSION AND ANALYSIS

### **Business Review and Outlook**

During the nine months ended 31 December 2007 under review, the profit attributable to the equity holders of the Company has risen significantly to approximately HK\$73.1 million. The main reason is the Group completed the disposal of one of its subsidiary on 31 October 2007, which mainly focused on sales of furniture (Ultra Group Company Limited) for a consideration of HK\$121.4 million resulting a gain of approximately HK\$64.3 million.

After the disposal of the office furniture business, auto servicing and repairing in the own brand name of "CHALLENGER" is the core continuing business operation of the Group.

In order to improve the market share of the car beautification services, the Company has opened new service centres in New World Center and Mega Box respectively in October 2007. Besides, the Company is now eagerly to find a suitable shopping center for expansion.

The Company firmly believes that as the per capita income increases in Mainland China, the purchasing power to purchase private car is increasing. The auto beautification and car repairing industry will be highly beneficial as the car population increase. To penetrate and dominate the auto beautification and car repairing market in Mainland China is the main vision for the Company. Therefore, the Company is still striving to seek strategic partners who will have a capability and experience in Mainland China to make a valuable contribution to the business expansion of Challenger.

### **Financial Review**

The turnover from the continuing operations and discontinued operations of the Group for the three months and nine months ended 31 December 2007 were approximately HK\$70.8 million and HK\$288.4 million respectively, representing a decrease for approximately 10.8% and increase of approximately 26.0% as compared to the turnover of approximately HK\$79.4 million and HK\$229.0 million for the same periods ended 31 December 2006. The turnover from continuing operations of the Group for the three months and nine months ended 31 December 2007 was approximately HK\$14.1 and HK\$23.0 million respectively (2006: Nil).

Gross profit from the continuing operations of the Group for the three months and nine months ended 31 December 2007 was approximately HK\$10.7 million and HK\$17.4 million respectively. (2006: Nil).



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The total expenses from the continuing operations of the Group for the three months and nine months ended 31 December 2007 were approximately HK\$11.1 million and HK\$20.0 million respectively.

The Group recorded a net profit attributable to equity holders of the parents of approximately HK\$63.7 million and HK\$73.1 million for the three months and nine months ended 31 December 2007 respectively. The Group's net profit for the nine months ended 31 December 2007 increased by approximately 558.3% as compared to the net profit of the approximately HK\$13.1 million for the nine months ended 31 December 2006.

## 08 | OTHER INFORMATION

### 1. Interests and Short Positions of Directors and Chief Executive in Shares, Underlying Shares and Debentures

As at 31 December 2007, none of the Directors nor the chief executive of the Company had interests and short positions 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.

Save as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the directors, their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

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

Name of Shareholder	Capacity	No. of Shares	Notes	Percentage of shareholding
Plowright Investments Limited	Beneficial owner	115,231,000 (Long position)	1	21.34%
Harmony Asset Limited	Interest of a controlled corporation	115,231,000 (Long position)	1	21.34%
Gold Master Business Limited	Beneficial owner	81,000,000 (Long position)	2	15.00%
Mr. Wong Wai Keung, Dennis	Interest of a controlled corporation	81,000,000 (Long position)	2	15.00%
Excel Formation Limited	Beneficial owner	60,944,000 (Long position)	3	11.29%
Ms. Cho Yuen Yi, Wendy	Interest of a controlled corporation	83,826,500 (Long position)	3	15.52%

Notes:

1. Plowright Investments Limited is a wholly-owned subsidiary of Harmony Asset Limited, the shares of which are listed on the Main Board of the Stock Exchange. Harmony Asset Limited is deemed to be interested in the 115,231,000 Shares held by Plowright Investments Limited.
2. Gold Master Business Limited is wholly-owned by Mr. Wong Wai Keung Dennis, who is deemed to be interested in the 81,000,000 Shares held by Gold Master Business Limited under the SFO.
3. These 83,826,500 Shares are held as to 22,882,500 Shares by Huge Mars International Limited and 60,944,000 Shares by Excel Formation Limited. Both Huge Mars International Limited and Excel Formation Limited are wholly owned by Ms. Cho Yuen Yi, Wendy. Ms. Cho Yuen Yi, Wendy is deemed to be interested in the 22,882,500 Shares and 60,944,000 Shares held by Huge Mars International Limited and Excel Formation Limited respectively under the SFO.

Save as disclosed above, as at 31 December 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.

### **3. Share Options**

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

As at 31 December 2007, no option had been granted or agreed to be granted under the Scheme.

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

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

### **5. Audit Committee**

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

## 10 | OTHER INFORMATION

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

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

The unaudited quarterly results for the nine months ended 31 December 2007 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

### 6. Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the nine months ended 31 December 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the nine months ended 31 December 2007.

### 7. Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the nine months ended 31 December 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.

By order of the Board  
**Tse Chun Sing**  
Chairman

Hong Kong, 31st January 2008

*As at the date of this report, the executive Directors are Mr. Tse Chun Sing and Mr. Wu Kam Hung. The independent non-executive Directors Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen.*