
Challenger

# DOING THINGS DIFFERENTLY

CHALLENGER ANNUAL REPORT 2015

# TABLE OF CONTENTS


# Proud of our heritage and our achievements, we are committed to helping our customers lead a tech-enhanced lifestyle.

Since our inception, we have been part of the Singapore retail landscape and have grown to become a trusted local brand. As the premier retailer of IT products, we stock new and exciting products in our stores. Our long-term vision of growth puts us in good stead to continue leading the market in IT lifestyle products.

# CORPORATE PROFILE

FOUNDED IN 1982, CHALLENGER TECHNOLOGIES LIMITED ("CHALLENGER") IS SINGAPORE'S LEADING IT LIFESTYLE RETAILER.

**LISTED ON THE SINGAPORE STOCK EXCHANGE SINCE 2004, OUR ACHIEVEMENTS ARE WELL-GROUNDED WITH A LOYAL RETAIL BASE OF OVER HALF A MILLION VALUECLUB MEMBERS.**

With over 40 stores island-wide, customers enjoy convenience and choice while shopping at Challenger. We are an established IT products retailer of personal computers, notebooks, printers, tablets and mobile devices. We are also recognised for stocking the widest range of IT peripherals and accessories in the market today.

# CHIEF EXECUTIVE'S MESSAGE

Across most sectors and industries, FY2015 was a difficult year. Challenger continued having to grapple with higher operating costs, a tight labour market and changing shopping preferences amongst customers. Overall weak market sentiment also looks set to spill over to 2016, setting the stage for a challenging year ahead.

However, with a strong foundation laid out over the years, as well as responsive frontline and backend teams, we were able to mitigate a tough FY2015 in retail. Net profit increased 22% to $18.3 million while revenue dipped only 1% or $2.9 million, compared with FY2014. This was due to our consistent efforts in cost management and increasing productivity, ensuring we achieve the same results with the same or less manpower.

...we are excited about our plans for 2016.

Looking ahead, we are excited about our plans for 2016. Last year, we shared about testing new retail concepts which is in line with expanding our physical retail footprint as the largest IT retail chain store operator in Singapore. Firstly, this has culminated in us setting up Challenge Ventures Pte Ltd, a wholly-owned subsidiary to focus on investing in companies and businesses to operate within Challenger's digital ecosystem by providing support for the group's business operations and other subsidiaries within the group. Three subsidiaries, wholly-owned ecommerce marketplace portal Andios Pte Ltd, end-to-end integrated marketing solutions subsidiary inCall Systems Pte Ltd, and online tech marketplace Hachi.sg Pte. Ltd., have since been injected into Challenge Ventures. Investing in digital platforms will help the group achieve our long-term vision of owning a complete digital lifestyle ecosystem encompassing retail, online, logistics, service and mobility.

...online tech marketplace Hachi.tech, launched in April 2016, represents our goal to become a dominant online and offline player in Singapore, followed by the region.

Secondly, online tech marketplace Hachi.tech, launched in April 2016, represents our goal to become a dominant online and offline player in Singapore, followed by the region. Complemented by our larger network of physical retail stores in Singapore, Hachi.tech combines the largest range of IT products available online with the convenience of delivery or pick-up in store for time-strapped customers looking for the latest tech lifestyle products.

A final tax-exempt one-tier dividend of 1.55 cents per ordinary share has been proposed, subject to shareholders' approval during the coming Annual General Meeting to be held on 28 April 2016. We had paid an interim tax-exempt one-tier dividend of 1.10 cent per ordinary share in September 2015. This brings the total dividend to 2.65 cents per ordinary share for FY2015. The total payout for FY2015 represents over 50% of net profit after tax for FY2015.

I would like to thank my fellow directors, management team and all employees for their hard work and commitment to the Company. In addition, I appreciate the invaluable support rendered to us by shareholders and business partners for their contributions to the Group. As we enter into another new year, we look forward to the continued support from all our stakeholders.

**MR LOO LEONG THYE**

PROVIDING QUALITY PRODUCTS WITH QUALITY SERVICE TO ALL OUR CUSTOMERS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**LOO LEONG THYE**
Executive Director and Chief Executive Officer

**TAN WEE KO**
Executive Director and Chief Financial Officer

**TAN HAN BENG**
Lead Independent Director

**MAX NG CHEE WENG**
Independent Director

**TAN CHAY BOON**
Independent Director

## AUDIT COMMITTEE

**TAN HAN BENG**
Chairman

**MAX NG CHEE WENG**

**TAN CHAY BOON**

## NOMINATING COMMITTEE

**MAX NG CHEE WENG**
Chairman

**TAN HAN BENG**

**TAN CHAY BOON**

## REMUNERATION COMMITTEE

**MAX NG CHEE WENG**
Chairman

**TAN HAN BENG**

**TAN CHAY BOON**

## COMPANY SECRETARY

**CHIA FOON YEOW**

## REGISTERED OFFICE

1 Ubi Link
Challenger TecHub
Singapore 408553
Tel: (65) 6318 9800
Fax: (65) 6318 9801
Email: ir@challenger.sg
Company Registration
No.: 198400182K

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE

**BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.**
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

## AUDITORS

**RSM CHIO LIM LLP**
Public Accountants and
Chartered Accountants
(a member of RSM International)
8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095
Partner-in-charge: Chan Sek Wai
(effective from financial year ended
31 December 2013)

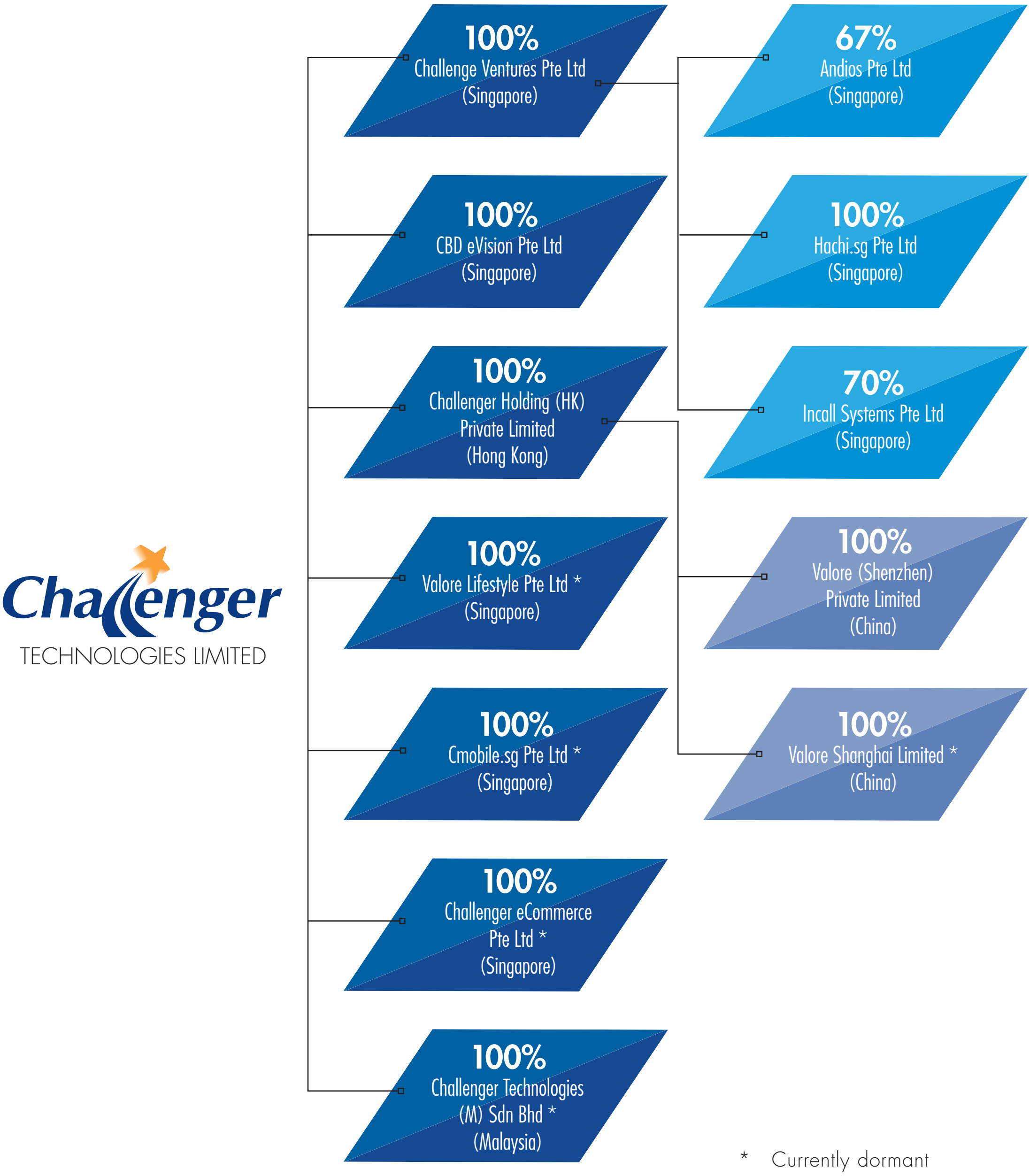
## PRINCIPAL BANKERS

**DBS BANK LIMITED**

**UNITED OVERSEAS BANK LIMITED**

**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED**

# GROUP STRUCTURE




* Currently dormant

# PROFILE OF BOARD OF DIRECTORS

## MR LOO LEONG THYE

Executive Director and Chief Executive Officer

He is responsible for the overall management of our Group. He also charts our corporate directions, strategies and policies. Mr Loo has over 30 years of experience in the IT industry. He grew the business operations of our Group in 1982 from a sole proprietorship to its present scale. In 1986, he started the electronic signage business, CBD eVision, and has been involved in the operations of the company since its inception. In 2011, Mr Loo received the Best Chief Executive Officer Award (listed companies with less than $300 million in market capitalisation) from Singapore Corporate Awards, organised by The Business Times and supported by the Singapore Exchange. He holds a Graduate Diploma in Marketing Management and Diploma in Management Studies from the Singapore Institute of Management. He also holds an Industrial Technician Certificate from the Singapore Polytechnic and Full Technological Certificate from the City & Guilds of London Institute.

## MR TAN WEE KO

Executive Director and Chief Financial Officer

He joined the Group in May 2005 and was appointed as an Executive Director on 30 April 2013. He oversees human resources, business development, accounting, financial and funding requirements of the Group. He is a Fellow Chartered Accountant of Singapore with the Institute of Singapore Chartered Accountants and a Fellow Certified Practising Accountant with the CPA Australia. Mr Tan has a Master of Business Administration from the University of Adelaide and a Bachelor degree in Accountancy from the Nanyang Technological University.

## MR TAN HAN BENG

Lead Independent Director

He is currently a Director at PrimePartners Corporate Finance Pte Ltd where he is involved in advising SGX listed companies on listing rules and corporate governance. He has over 17 years of professional accounting and financial experience including financial, internal and special audit engagements with a Big Four accounting firm. Mr Tan is an accountant by training and is a Chartered Accountant of Singapore with the Institute of Singapore Chartered Accountants.

## MR MAX NG CHEE WENG

Independent Director

He is the Managing Director of Gateway Law Corporation, a regional leading law practice, headquartered in Singapore with people and offices across ASEAN including in Malaysia, Brunei, Cambodia, Philippines and Hong Kong. Mr Ng specialises in intellectual property disputes, and advises regularly on technology, privacy, data protection, franchising and employment law issues. He is listed as a leading lawyer in his field in publications such as Chambers Asia-Pacific, Legal 500, AsiaLaw Leading Lawyers and The International Who's Who of Business Lawyers. Mr Ng is also a Notary Public and Commissioner for Oaths, an Associate Mediator with the Singapore Mediation Centre, and a member of the Singapore Institute of Arbitrators. He is also admitted to practice law in Malaya, England and Wales.

## MS TAN CHAY BOON

Independent Director

She has more than 28 years of working experience in the IT and fast-moving consumer goods industries across Asia Pacific and Worldwide markets. Ms Tan has held several senior positions in multinational corporations with over 15 years of Strategic Leadership and PnL experience, across a diversified customer and business partner segments ranging from consumer, small medium business and enterprise segments. In the most recent 5 years, she was the Managing Director at SAP Asia Pte Ltd and Vice President for Enterprise Group (South East Asia) at Hewlett-Packard. Ms Tan has a Master of Business Administration from University of Dubuque, Iowa. She also holds a Bachelor degree with a dual major in Logistics/ Transportation and International Business, and a minor in Industrial Psychology from Ohio State University, Ohio.

# PROFILE OF KEY MANAGEMENT

## MR WOON YOON SIONG

Group Chief Technology Officer

He joined the Group in September 2011 and oversees the network, hardware and software systems. He has more than 20 years of experience in IT systems and is instrumental in developing the Group's Enterprise Resource Planning and Point of Sales (POS) systems. Mr Woon holds a Master of Science in Computer & Information Sciences from the National University of Singapore.

## MR NG KIAN TECK

General Manager – Operations

He is in charge of retail operations in Singapore. He joined the Group in 1996 and has over 20 years of experience in the IT industry. Mr Ng holds a Bachelor of Science in Business Administration from the California State University, Los Angeles.

## MS LOO PEI FEN

Group Chief Marketing Officer

She first joined the Group in January 2004, managing retail marketing. After a 2-year break to further her studies, she re-joined the Group in January 2010. She currently oversees the marketing across the Group and its subsidiaries, focusing on membership, online sales and overall communications functions. Ms Loo has a Master of Marketing from the University of Newcastle and a Bachelor of Arts from the University of Southern California.

## MR SEAH CHIN TIONG

Managing Director – InCall Systems Pte Ltd

In 2001, he started InCall Systems, an Outsourced Business Service Provider which offers end-to-end integrated marketing solutions. He is responsible for the overall management and the day-today operations of our database, call centre and direct marketing business. With more than 20 years of experience in the IT industry, he brings a dynamic and unique blend of technology experience and business expertise to the Company. Mr Seah holds a Bachelor of Business Administration from the National University of Singapore and a Graduate Diploma in Systems Analysis from the Institute of Systems Science.

## MR CHIA KANG WHYE

General Manager & Executive Director – CBD eVision Pte Ltd

He is responsible for the day-to-day management of the electronic signage business, which includes the marketing of electronic signage products and overseeing turnkey projects for the supply and installation of electronic signage. Mr Chia joined CBD eVision in 1986 and has over 30 years of experience in the electronic signage business.

# CREATING VALUE AND COMMITTED TO GROWING OUR BUSINESS

# OUR RETAIL NETWORK

## CHALLENGER MEGASTORE

**Funan**
109 North Bridge Road
#06-00 Funan DigitaLife Mall
Singapore 179097
Tel: 6339 9008
fc@challenger.sg

## CHALLENGER SUPERSTORES

**313 @ Somerset**
313 Orchard Road
#04-01/02 313@Somerset
Singapore 238895
Tel: 6509 1533
313@challenger.sg

**Ang Mo Kio Hub**
53 Ang Mo Kio Avenue 3
#02-10 Ang Mo Kio Hub
Singapore 569933
Tel: 6555 8138
amk@challenger.sg

**Bugis Junction**
200 Victoria Street
#03-10e Bugis Junction
Singapore 188021
Tel: 6513 4770
bj@challenger.sg

**Bedok Point**
799 New Upper Changi Road
#B1-05/09 Bedok Point
Singapore 467351
Tel: 6446 7398
bp@challenger.sg

**Causeway Point**
1 Woodlands Square
#04-06/07 Causeway Point
Singapore 738099
Tel: 6893 8721
cw@challenger.sg

**Changi City Point**
5 Changi Business Park Central 1
#01-56/57/58/59
Changi City Point
Singapore 486038
Tel: 6636 2302
cp@challenger.sg

**The Clementi Mall**
3155 Commonwealth
Avenue West
#04-56/57/58/59/60
The Clementi Mall
Singapore 129588
Tel: 6570 5766
cm@challenger.sg

**Eastpoint Mall**
3 Simei Street 6
#B1-08 Eastpoint Mall
Singapore 528833
Tel: 6702 0018
ep@challenger.sg

**Great World City**
1 Kim Seng Promenade
#02-22/24 Great World City
Singapore 237994
Tel: 6592 6770
gwc@challenger.sg

**Hougang Mall**
90 Hougang Avenue 10
#04-15 Hougang Mall
Singapore 538766
Tel: 6488 0123
hm@challenger.sg

**IMM**
2 Jurong East Street 21
#02-42 IMM Building
Singapore 609601
Tel: 6426 9123
imm@challenger.sg

**JEM**
50 Jurong Gateway Road
#04-01 JEM
Singapore 608549
Tel: 6684 0751
jem@challenger.sg

**Jurong Point**
63 Jurong West Central 3
#B1-94/95/96
Jurong Point Shopping Centre
Singapore 648331
Tel: 6793 7122
jp@challenger.sg

**Lot One**
21 Choa Chu Kang Avenue 4
#03-05/06/07/08/08A Lot One
Singapore 689812
Tel: 6894 5868
L1@challenger.sg

**nex**
23 Serangoon Central
#04-33/34 nex
Singapore 556083
Tel: 6634 6478
nex@challenger.sg

**Northpoint**
930 Yishun Avenue 2
#03-12/13/14/15
Northpoint Shopping Centre
Singapore 769098
Tel: 6853 8300
np@challenger.sg

**Parkway Parade**
80 Marine Parade Road
#04-01 Parkway Parade
Singapore 449269
Tel: 6342 5699
pp@challenger.sg

**Plaza Singapura**
68 Orchard Road
#04-12/12A Plaza Singapura
Singapore 238839
Tel: 6837 8797
ps@challenger.sg

**Sun Plaza**
30 Sembawang Drive
#02-06 Sun Plaza
Singapore 757713
Tel: 6481 2862
sp@challenger.sg

**Suntec City Mall**
3 Temasek Boulevard
#02-477 Suntec City Mall
Singapore 038983
Tel: 6238 6280
sc@challenger.sg

**Tampines 1**
10 Tampines Central 1
#04-24/25 Tampines 1
Singapore 529536
Tel: 6260 6318
tp@challenger.sg

**Tiong Bahru Plaza**
302 Tiong Bahru Road
#03-114 Tiong Bahru Plaza
Singapore 168732
Tel: 6250 5894
tb@challenger.sg

**VivoCity**
1 HarbourFront Walk
#02-34/35 VivoCity
Singapore 098585
Tel: 6376 6100
vc@challenger.sg

# OUR RETAIL NETWORK

## CHALLENGER MINI

**Anchorpoint**
370 Alexandra Road
#B1-34 Anchorpoint Shopping Centre
Singapore 159953
Tel: 6472 0894
ap@challenger.sg

**Ang Mo Kio Hub**
53 Ang Mo Kio Avenue 3
#B1-58 Ang Mo Kio Hub
Singapore 569933
Tel: 6753 5539
cak@challenger.sg

**Funan**
109 North Bridge Road
#03-33 Funan DigitaLife Mall
Singapore 179097
Tel: 6338 7792
f33.inv@challenger.sg

**Bukit Panjang Plaza**
1 Jelebu Road
#02-43/44 Bukit Panjang Plaza
Singapore 677743
Tel: 6314 3622
pg@challenger.sg

**City Square Mall**
180 Kitchener Road
#B1-11A/12 City Square Mall
Singapore 208539
Tel: 6509 1308
cy@challenger.sg

**Junction 8 Shopping Centre**
9 Bishan Place
#04-03A Junction 8
Shopping Centre
Singapore 579837
Tel: 6734 2270
j8@challenger.sg

**Sembawang Shopping Centre**
604 Sembawang Road
#01-25 Sembwang Shopping Centre
Singapore 758459
Tel: 6481 4923
ss@challenger.sg

**Tanglin Mall**
163 Tanglin Road
#03-15 Tanglin Mall
Singapore 247933
Tel: 6836 1576
TL@challenger.sg

**Tampines Mall**
4 Tampines Central 5
#04-06/07 Tampines Mall
Singapore 529510
Tel: 6783 8748
tm@challenger.sg

**The Seletar Mall**
Sengkang West Avenue
#03-24 The Seletar Mall
Singapore 797653
Tel: 6702 2923
sm@challenger.sg

**Thomson Plaza**
301 Upper Thomson Road
#03-28/29 Thomson Plaza
Singapore 574408
Tel: 6457 3219
ts@challenger.sg

**Waterway Point**
83 Punggol Central
#B1-26 Waterway Point
Singapore 828761
Tel: 6385 8775
wp@challenger.sg

**Westgate**
3 Gateway Drive
#03-33 Westgate
Singapore 608532
Tel: 6465 9370
wg@challenger.sg

**West Mall**
1 Bukit Batok Central Link
#01-31 West Mall
Singapore 658713
Tel: 6861 1971
wm@challenger.sg

**White Sands**
1 Pasir Ris Central Street 3
#03-07/08 White Sands
Singapore 518457
Tel: 6384 9873
ws@challenger.sg

**Yew Tee Point**
21 Choa Chu Kang North 6
#B1-12/13 Yew Tee Point
Singapore 689578
Tel: 6465 8872
yt@challenger.sg

## CHALLENGER MUSICA

**Funan**
109 North Bridge Road
#03-39 Funan DigitaLife Mall
Singapore 179097
Tel: 6339 3529
musicaf39@challenger.sg

**Westgate**
3 Gateway Drive
#03-13 Westgate
Singapore 608532
Tel: 6465 9298
mwg@challenger.sg

## CHALLENGER SELECT

**Funan**
109 North Bridge Road
#02-05 Funan DigitaLife Mall
Singapore 179097
Tel: 6334 6101
sfc@challenger.sg

**Westgate**
3 Gateway Drive
#B1-16 Westgate
Singapore 608532
Tel: 6465 9401
swg@challenger.sg

**West Mall**
1 Bukit Batok Central Link
#01-08 West Mall
Singapore 658713
Tel: 6794 5169
swm@challenger.sg

## CHALLENGER VALORE

**Northpoint**
930 Yishun Avenue 2
#B1-34/35 Northpoint Shopping Centre
Singapore 769098
Tel: 6484 3988
vnp@valore.sg

**Parkway Parade**
80 Marine Parade Road
#B1-150/151 Parkway Parade
Singapore 449269
Tel: 6440 0749
vpp@valore.sg

**Tampines Mall**
4 Tampines Central 5
#03-22/23 Tampines Mall
Singapore 529510
Tel: 6782 1554
vtm@valore.sg

# LOOKING AHEAD AND KEEPING UP WITH THE EVER CHANGING LANDSCAPE

# GROUP 5-YEAR FINANCIAL HIGHLIGHTS

**REVENUE** ($'000)


**PROFIT BEFORE TAX** ($'000)


**PROFIT AFTER TAX** ($'000)


**SHAREHOLDERS' FUNDS** ($'000)


**EARNINGS/LOSS PER SHARE – DILUTED** (CENTS)


**NET TANGIBLE ASSETS PER SHARE** (CENTS)


| KEY FINANCIAL RATIOS | F2015 | FY2014 | FY2013 | FY2012 | FY2011 |
|---|---|---|---|---|---|
| Net Profit Margin (%) | 5.2% | 4.2% | 4.5% | 4.9% | 5.0% |
| Inventory Turnover (days) | 49 | 45 | 40 | 37 | 34 |
| Trade Receivable Turnover (days) | 6 | 6 | 8 | 3 | 4 |
| Return on Equity (%) | 24% | 23% | 29% | 32% | 37% |
| Quick Ratio (times) | 1.73 | 1.46 | 1.24 | 1.37 | 1.11 |
| Current Ratio (times) | 2.98 | 2.26 | 2.00 | 2.16 | 1.59 |

# GROUP OPERATIONS REVIEW

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | Group 31.12.2015 S$'000 | Group 31.12.2014 S$'000 | Increase/ (Decrease) S$'000 | Remarks |
|---|---|---|---|---|
| **Revenue** | 352,245 | 355,112 | (2,867) | Revenue decrease mainly due to lower contribution from retail operations in Singapore and absence of revenue arising from closure of retail operations in Malaysia in the second half of 2014. This was partially offset by higher corporate sales, stronger tradeshow performance and write back of deferred revenue on customers' loyalty programme activities. |
| Changes in inventories | 3,259 | (643) | 3,902 | Gross profit margin remained relatively stable. |
| Cost of goods purchased | (282,133) | (279,615) | 2,518 | |
| Other consumables used | (530) | (1,200) | (670) | |
| **Other Items of Income** | | | | |
| Interest Income | 372 | 365 | 7 | Increase due to receipt of coupon income arising from investment in corporate bonds and interest income from fixed deposits placed with banks. |
| Other Gains | 1,303 | 341 | 962 | Increase mainly due to receipts of grants from Government. |
| **Other Items of Expense** | | | | |
| Depreciation expense | (4,274) | (4,178) | 96 | Increase due to acquisition of new plant and equipment as a results of expansion of retail stores. |
| Employee Benefits Expense | (23,127) | (24,001) | (874) | Decrease due to lower staff incentive paid as a result of lower revenue recorded in FY2015. |
| Other Expenses | (25,280) | (26,877) | (1,597) | Decrease mainly due to absence of operating expenses arising from closure of operations in Malaysia. |
| Other Losses | (100) | (874) | (774) | |
| **Profit Before Tax** | 21,735 | 18,430 | 3,305 | |
| Income Tax Expenses | (3,449) | (3,411) | 38 | |
| **Profit Net of Tax** | 18,286 | 15,019 | 3,267 | |

# GROUP OPERATIONS REVIEW
## Statement of Financial Position

| | Group 31.12.2015 S$'000 | Group 31.12.2014 S$'000 | Increase/ (Decrease) S$'000 | Remarks |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-Current Assets** | | | | |
| Other Financial Assets | 8,749 | 3,651 | 5,098 | Increase due to investment in technology companies and bonds. |
| Property, Plant and Equipment | 12,834 | 13,755 | (921) | Decrease due to depreciation expense, partially offset by acquisition of equipment and renovation for retail stores in Singapore. |
| Total Non-Current Assets | 21,583 | 17,406 | 4,177 | |
| **Current Assets** | | | | |
| Inventories | 37,662 | 34,480 | 3,182 | Increase mainly due to new store openings during FY2015. |
| Cash and Cash Equivalents | 41,653 | 52,621 | (10,968) | Decrease due to payment of dividends, capital expenditure incurred for retail stores and capital investments. These have been partially offset by cashflow generated from operating activities. |
| Trade and Other Receivables | 5,780 | 5,704 | 76 | Increase due to suppliers' rebate, partially offset by lower trade debt from card companies. |
| Other Assets, Current | 4,961 | 5,011 | (50) | Decrease due to lower renovation deposits as results of completion of renovation works at retail stores. |
| Total Current Assets | 90,056 | 97,816 | (7,760) | |
| Total Assets | 111,639 | 115,222 | (3,583) | |
| **Equity and Liabilities** | | | | |
| **Equity** | | | | |
| Share Capital | 18,775 | 18,775 | – | |
| Retained Earnings | 57,430 | 47,294 | 10,136 | |
| Other Reserves | (244) | 249 | (493) | |
| Total Shareholders' Funds | 75,961 | 66,318 | 9,643 | |
| Non-Controlling Interests | 704 | 570 | 134 | |
| Total Equity | 76,665 | 66,888 | 9,777 | |

# GROUP OPERATIONS REVIEW
## Statement of Financial Position

| | Group 31.12.2015 S$'000 | Group 31.12.2014 S$'000 | Increase/ (Decrease) S$'000 | Remarks |
|---|---|---|---|---|
| **Non-Current Liabilities** | | | | |
| Deferred Tax Liabilities | 22 | 45 | (23) | |
| Provisions | 1,892 | 1,631 | 261 | Increase due to higher provision for restoration cost for new retail stores in Singapore. |
| Other Liabilities | 2,805 | 3,357 | (552) | Decrease due to lower deferment of the revenue recognition from extended warranty and membership admin fee. |
| Total Non-Current Liabilities | 4,719 | 5,033 | (314) | |
| **Current Liabilities** | | | | |
| Trade and Other Payables | 18,344 | 29,814 | (11,470) | Decrease mainly due to early settlement of trade payables. |
| Income Tax Payable | 3,395 | 3,352 | 43 | |
| Other Liabilities | 8,516 | 10,135 | (1,619) | Decrease due to decrease in deferment of the recognition of reward points granted to customers and membership admin fee recognition, partially offset by higher deferment of revenue recognition from extended warranty. |
| Total Current Liabilities | 30,255 | 43,301 | (13,046) | |
| Total Liabilities | 34,974 | 48,334 | (13,360) | |
| Total Equity and Liabilities | 111,639 | 115,222 | (3,583) | |

# CORPORATE GOVERNANCE

The Board of Directors of Challenger Technologies Limited (the "Board") is committed to achieving a high standard of corporate governance within the Group. Therefore, the Board has put in place effective and self-regulatory corporate governance practices for greater transparency, protection of shareholders' interests and enhancement of long-term shareholder value and to strengthen investors' confidence in its management and financial reporting.

This report outlines the Company's corporate governance practices and structures in the financial year ended 31 December 2015 ("FY2015"), with specific reference made to each of the principles of the Code of Corporate Governance 2012 (the "Code"). Deviations from the Code are explained. The Company has complied with the principles and guidelines of the Code where appropriate.

**The Board's Conduct of its Affairs**

**Principle 1: Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the long-term success of the company. The board works with management to achieve this objective and the management remains accountable to the board.**

*Role of Board*

The Board provides leadership to the Group by setting up the corporate policies and strategic aims. The principal functions of the Board, apart from its statutory responsibilities, are:

i. charting the corporate strategy and direction of the Group, including the approval of broad policies, strategies and financial objectives;

ii. approving annual budgets, proposals for acquisitions, investments and disposals;

iii. reviewing the financial results of the Group and approving the publishing of the same;

iv. approving the annual reports of the Company and the audited financial statements of the Group;

v. identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation;

vi. with the assistance of the Audit Committee (the "AC"), overseeing the processes for evaluating the adequacy of internal controls, risk management practices, financial reporting structures and compliance controls;

vii. approving nominations to the Board and appointing key personnel;

viii. evaluating the performance and approving the remuneration of key management personnel;

ix. generally managing the affairs of the Group;

x. setting the Company's value and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met; and

xi. considering sustainability issues (e.g. environmental and social factors) in the formulation of its strategies.

*Delegation to Sub-Committees*

To ensure that specific issues are subject to in-depth reviews and discussions, certain functions have been delegated by the Board to committees of its members (the "Committees"). These Committees make recommendations to the Board, upon such reviews and discussions. Currently, there are three (3) Committees – the AC, the Nominating Committee (the "NC") and the Remuneration Committee (the "RC"). Each of these Committees has its own terms of reference. The Committees report to, and their actions are reviewed by, the Board.

*Frequency of Meetings*

The Board and Committees meet regularly and as and when warranted by particular circumstances as deemed appropriate by the Board. The Articles of Association of the Company also provide for telephonic meetings.

The number of meetings of the Board and Committees held in FY2015, as well as the attendance of each Board member thereat, are set out below:

| | **Board** | **Committees** | | |
|---|---|---|---|---|
| | | **Audit** | **Nominating** | **Remuneration** |
| Number of meetings held | 4 | 4 | 1 | 1 |
| **Board Members** | **Number of meetings attended** | | | |
| Loo Leong Thye | 4 | 4* | 1* | 1* |
| Tan Wee Ko | 4 | 4* | 1* | 1* |
| Tan Han Beng | 4 | 4 | 1 | 1 |
| Max Ng Chee Weng | 4 | 4 | 1 | 1 |
| Tan Chay Boon | 4 | 4 | 1 | 1 |

* By invitation

*Matters Requiring Board Approval*

The Board had previously approved and adopted internal control procedures and guidelines for the Company. Under such procedures and guidelines, the approval of the Board is required for any transaction exceeding $1 million in value not entered into in the ordinary course of business.

# CORPORATE GOVERNANCE

*Training for Directors*

The Company is responsible for arranging and funding the training of Directors. Comprehensive briefings are conducted for new Directors to provide them with an insight to the operations of the Group and its corporate governance practices. Directors are also periodically briefed on the performance and developments in respect of the Group. Directors are also informed of changes in laws, regulations and risks impacting the Group. Where appropriate, the Company will arrange for Directors to attend seminars to obtain updates on business and regulatory changes relevant to the Group.

In addition to the above, Directors may also request further explanations, briefings or informal discussions on any aspects of the Group's operations or business issues from the Management.

*Letter to New Directors*

The Company will provide formal letters of appointment for any newly appointed Directors, setting out their duties and obligations.

**Board Composition and Guidance**

**Principle 2: There should be a strong and independent element on the board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the board's decision making.**

*Strong and independent element on the Board*

As at the date of this report, the Board comprises five (5) members. Save for the Chief Executive Officer ("CEO"), Mr Loo Leong Thye and the Chief Financial Officer ("CFO"), Mr Tan Wee Ko, the rest of the Board is made up of non-executive and independent Directors (the "IDs"). Each Director has been appointed on the strength of his and her calibre and experience. Please refer to the section on the Board of Directors for their individual profiles.

As there are three (3) IDs on the Board for the financial year under review, the prevailing applicable requirement of the Code that at least one-third (1/3) of the Board be comprised of IDs is satisfied. All the board committee meetings are chaired by the IDs.

The NC adopts the Code's definition of what constitutes an ID. The Board considers an "independent" director as one who has no relationship with the Company, its related corporations, officers, its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Group. The independence of each Director is reviewed annually by the NC.

Mr Max Ng Chee Weng has served as an ID of the Company for more than nine (9) years since his initial appointment in 2006. The Board has subjected his independence to particularly rigorous review. Taking into account the view of the NC, the Board concurs that Mr Max Ng Chee Weng has continued to demonstrate his strong independence in character and judgement in the discharge of his responsibilities as a Director of the Company, and found no reason to understand that the length of his service has in any way dimmed his independence. Given his wealth of working experience and professionalism, the NC has found Mr Max Ng Chee Weng suitable to continue to act as an ID notwithstanding that he has served for more than nine (9) years from his initial appointment.

The NC is of the view that Mr Max Ng Chee Weng, Mr Tan Han Beng and Ms Tan Chay Boon are independent and that there are no individuals or small groups of individuals who dominate the Board's decision making process. Mr Max Ng Chee Weng has abstained from deliberating on his independence.

*Board Size*

The Board periodically examines its size to ensure that it is of an appropriate number for effective decision making, taking into account the scope and nature of the operations of the Company.

*Competencies of Directors*

The Board is of the opinion that its current size is appropriate and facilitates effective decision making, taking into account the nature and scope of the Group's operations. The Board composition reflects the broad range of experience, skills and knowledge necessary for the effective stewardship of the Group. The Board comprises professionals who as a group possess competencies in accounting, finance, business, management and law, and knowledge and experience in strategic planning and the Group's industry and customer base. The NC is of the view that the current Board comprises persons whose diverse skills, experience and attributes provide for an effective Board. The profile of each Director is set out in this Annual Report.

The IDs will constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance. When necessary, the IDs will have discussions amongst themselves without the presence of Management.

# CORPORATE GOVERNANCE

**Chairman and Chief Executive Officer**

**Principle 3: There should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.**

*Chairman*

The Company has not created a separate position of Chairman as the Directors are of the view that the current Board composition and the establishment of the Committees, namely, the AC, NC and RC, are sufficient to ensure accountability and independent decision-making.

The Board collectively ensures the following:

i. in consultation with Management, the timely scheduling of meetings to enable the Board to perform its duties responsibly, while not interfering with the flow of the Company's operations;

ii. in consultation with Management, the preparation of the agenda for Board meetings and ensures that adequate time is available for discussion of all agenda items;

iii. the promotion of a culture of openness and debate at the Board;

iv. effective communication with shareholders;

v. in consultation with Management, the exercise of control over the quality, quantity and timeliness of information between Management and the Board; and

vi. compliance with corporate governance best practices.

*CEO*

The CEO, Mr Loo Leong Thye, bears executive responsibility for the Group's business and implements the decisions and directions of the Board. For administrative purposes only, he is usually elected as the Chairman of each Board meeting.

In view of the above and in line with the Code, the Company has appointed an independent Non-Executive Director, Mr Tan Han Beng, to be the Lead Independent Director (the "Lead ID") to enhance the independence of the Board and to assist the Chairman in the discharge of his duties when the need arises. He is also available to shareholders where they have concerns and for which contact through normal channels of the CEO or the CFO has failed to resolve or is inappropriate.

## Board Membership

**Principle 4: There should be a formal and transparent process for the appointment and reappointment of directors to the board.**

*Establishment, Composition and Membership of NC*

The Company has the NC, which makes recommendations to the Board on all appointments and re-appointments to the Board. The NC meets at least once a year.

As the date of this report, the NC comprises three (3) IDs, hence fulfilling the requirement that the NC be made up of at least three (3) directors, the majority of whom, including the NC chairman, are independent. The Lead ID is a member of the NC.

The membership of the NC is as follows:

| | | |
|---|---|---|
| Chairman: | Max Ng Chee Weng | (ID) |
| Members: | Tan Han Beng | (Lead ID) |
| | Tan Chay Boon | (ID) |

The NC has written terms of reference that describe the responsibilities of its members.

*Responsibilities of NC*

The responsibilities of the NC are:

i. to review the nominations for the appointments and re-appointments of Directors;

ii. to review the independence of the Directors;

iii. to review the adequacy of each Director's contribution at meetings and his ability and capacity in carrying out the duties as a Director;

iv. to ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three (3) years;

v. to decide on how the Board's performance may be evaluated, and propose objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each Director;

vi. the review of board succession plans for Directors; and

vii. review of training and professional development programmes for the Board.

# CORPORATE GOVERNANCE

*Independence and Commitment of Directors*

The NC determines on an annual basis, and as and when circumstance require, whether or not a Director is independent, for the purposes of the Code. The NC is of the view that the IDs are independent.

In assessing the performance of each individual Director, the NC considers whether he has multiple board representations and other principal commitments, and is able to and adequately carried out his duties as a Director notwithstanding such commitments. The NC is satisfied that sufficient time and attention to the affairs of the Company has been given by those Directors who have multiple board representations.

To address the competing time commitments that are faced when Directors serve on multiple boards, the NC has reviewed and the Board has determined and set the maximum number of listed company board appointments at not more than five (5) companies. Currently, none of the Directors holds more than five (5) directorships in listed companies.

Directors are encouraged to attend relevant training programmes conducted by the relevant institutions and organisations. The cost of such training will be borne by the Company.

Pursuant to the Articles, at least one-third (1/3) of the Directors, are required to retire by rotation and submit themselves for re-election at each Annual General Meeting of the Company. Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals and at least once every three (3) years.

The NC has recommended to the Board that Mr Max Ng Chee Weng and Mr Tan Han Beng be nominated for re-election at the forthcoming Annual General Meeting. In making the recommendation, the NC has considered the Director’s overall contributions and performance.

Mr Max Ng Chee Weng will, upon re-election as a Director of the Company, remain as a member of the AC, Chairman of the NC and Chairman of the RC, and the Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Mr Tan Han Beng will, upon re-election as a Director of the Company, remain as the Chairman of the AC, and a member of the NC and the RC, and the Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

*Selection and Appointment of New Directors*

The Company does not have a formal process for the selection and appointment of new Directors to the Board. However, if required, the Company has procured or is able to procure search services, contacts and recommendations for the purposes of identifying suitably qualified and experienced persons for appointment to the Board.

*Key information on Directors*

The date of initial appointment and last re-election of each director, together with their directorships in other listed Companies are set out below:

| Name | Age | Appointment | Date of initial appointment | Date of last election | Directorships in other listed companies |
|---|---|---|---|---|---|
| Loo Leong Thye | 62 | Executive Director & CEO | 14/01/1984 | 28/04/2015 | **Present Directorships**<br>NIL<br><br>**Past Directorships (in the last three preceding years)**<br>NIL |
| Tan Wee Ko | 46 | Executive Director & CFO | 30/04/2013 | 24/04/2014 | **Present Directorships**<br>NIL<br><br>**Past Directorships (in the last three preceding years)**<br>NIL |
| Max Ng Chee Weng | 45 | Independent Director | 12/01/2006 | 24/04/2014 | **Present Directorships**<br>NIL<br><br>**Past Directorships (in the last three preceding years)**<br>NIL |
| Tan Han Beng | 41 | Independent Director | 01/03/2013 | 15/04/2013 | **Present Directorships**<br>NIL<br><br>**Past Directorships (in the last three preceding years)**<br>NIL |
| Tan Chay Boon | 56 | Independent Director | 01/03/2013 | 28/04/2015 | **Present Directorships**<br>NIL<br><br>**Past Directorships (in the last three preceding years)**<br>NIL |

Key information of each Director is disclosed in the profile of that Director as set out in this Annual Report.

# CORPORATE GOVERNANCE

**Board Performance**

**Principle 5: There should be a formal assessment of the effectiveness of the board as a whole and its committees and the contribution by each director to the effectiveness of the board.**

*Formal assessment of the effectiveness of the Board and contribution of each Director*

The NC has adopted processes for the evaluation of the Board and its committees' performance and effectiveness as a whole and the performance of individual Directors, based on performance criteria set by the Board. For FY2015, the NC has set performance targets in respect of sales, profits, gross profit margin and return on equity as gauges to measure and monitor the performance of the Board. Other performance criteria include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, level of participation at Board and committee meetings, guidance provided to the Management and attendance record.

The Board assesses its effectiveness as a whole through the completion of an appraisal form by each individual director on the effectiveness of the Board. The NC collates the results of these appraisal forms and formally discusses the results collectively with other Board members to address any areas for improvement.

The NC has reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year and is of the view that the performance of the Board as a whole has been satisfactory.

**Access to Information**

**Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

*Information from and Access to Management*

Each member of the Board has complete access to such information regarding the Company as may be required for the discharge of his duties and responsibilities. Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information necessary, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations, for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon.

As a general rule, notices are sent to the Directors one (1) week in advance of Board meetings, followed by the Board papers in order for the Directors to be adequately prepared for the meetings. Key management personnel attend board meetings to address queries from the Directors. The Directors also have unrestricted access to the Company's key management personnel. Requests for the Company's information by the Board are dealt with promptly.

*The Company Secretary*

Directors have separate and independent access to the Company Secretary. The Company Secretary or his colleague attends all Board meetings and ensures that Board procedures and the provisions of applicable laws, the Articles of Association of the Company and the SGX-ST Listing Manual are followed. The Company Secretary also assists with the circulation of Board papers and updates the Directors on changes in laws and regulations relevant to the Group. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

*Professional Advisers*

The Board (whether as individual members or as a group) has direct access to independent professional advisers, where so requested by them in the furtherance of their duties, at the expense of the Company.

**Remuneration Matters**

**Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

*Establishment, Composition and Membership of RC*

The Company has the RC, which makes recommendations to the Board on the framework of remuneration and the specific remuneration packages for each Director and the CEO. Recommendations of the RC have to be submitted to and endorsed by the entire Board.

As the date of this report, the RC comprises three (3) IDs, hence fulfilling the requirement that the AC be made up of at least non-executive three (3) directors, the majority of whom, including the RC chairman, are independent. The Lead ID is a member of RC.

The membership of the RC is as follows:

| | | |
|---|---|---|
| Chairman: | Max Ng Chee Weng | (ID) |
| Members: | Tan Han Beng | (Lead ID) |
| | Tan Chay Boon | (ID) |

The RC has written terms of reference that describe the responsibilities of its members.

# CORPORATE GOVERNANCE

*Responsibilities of RC*

The responsibilities of the RC are:

i. to recommend to the Board a framework of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind;

ii. to recommend specific remuneration packages for each Director, including the CEO;

iii. to review the remuneration of key management personnel;

iv. to review the level and structure of remuneration to align with the long-term interest and risk policies of the Company in order to attract, retain and motivate the Directors and key management personnel; and

v. to review the Company's obligations arising in the event of termination of the employment of Directors and key management personnel.

The members of the RC are familiar with executive compensation matters as they manage their own businesses and/or are holding other directorships. The RC has access to advice regarding executive compensation matters, if required.

**Level and Mix of Remuneration**

**Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.**

*Appropriate remuneration to attract, retain and motivate Directors*

The remuneration, including incentive bonuses of the CEO, Mr Loo Leong Thye, is based on a service agreement made on 15 September 2003, as disclosed in the Company's IPO prospectus dated 5 January 2004. The service agreement was for an initial term of three (3) years and is automatically renewed for successive terms of two (2) years each after the initial term on such terms and conditions as the CEO and the Company may agree. Either of the CEO or the Company may terminate the relevant service agreement by giving three (3) months' written notice or payment in lieu thereof.

The Company has also entered into a service agreement with the Executive Director & CFO, Mr Tan Wee Ko, on 1 January 2014 for an initial term of three (3) years and is automatically renewed for successive terms of two (2) years each on such terms and conditions as may be mutually agreed.

The remuneration of the Executive Directors includes a Director's fee, a fixed salary and a variable performance-related bonus which is designed to align the interests of the Directors with those of shareholders. Revisions to the terms of the service agreements are subject to review by the RC (taking into consideration the employment conditions within the IT industry and comparable companies), which then recommends the same to the Board for their consideration and approval.

Independent Directors are each paid a Director's fee for their effort and time spent, responsibilities and contributions to the Board, subject to the approval of shareholders at the Company's Annual General Meetings.

All revisions to the remuneration packages for the Directors and key management personnel are subject to review by and approval of the Board. Directors' fees are further subject to the approval of shareholders at the Annual General Meeting. Each member of the RC will abstain from reviewing and approving his or her own remuneration and the remuneration packages of persons related to him/her.

**Disclosure on Remuneration**

**Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management, and performance.**

*Directors' Remuneration*

Breakdown of remuneration of each Director by % (financial year ended 31 December 2015)

| Remuneration Band & Name of Directors | Fixed Salary | Directors' Fees | Allowance & Others | Variable or Performance Related Income/Bonus | Total |
|---|---|---|---|---|---|
| ***$1,150,000 to $1,199,999*** | | | | | |
| Loo Leong Thye | 31% | 1% | 1% | 67% | 100% |
| ***$650,000 to $699,999*** | | | | | |
| Tan Wee Ko | 32% | 2% | 7% | 59% | 100% |
| ***Below $50,000*** | | | | | |
| Max Ng Chee Weng | – | 100% | – | – | 100% |
| Tan Han Beng | – | 100% | – | – | 100% |
| Tan Chay Boon | – | 100% | – | – | 100% |

# CORPORATE GOVERNANCE

*Remuneration of Key Executives*

The remuneration of its top five (5) key management personnel (who are not directors or the CEO) for the year ended 31 December 2015 is as shown:

| Remuneration Band & Name of Key Management Personnel | Fixed Salary | Allowance & Others | Variable or Performance Related Income/Bonus | Total |
|---|---|---|---|---|
| ***$250,000 to $499,999*** | | | | |
| Woon Yoon Siong | 84% | 6% | 10% | 100% |
| ***Below $250,000*** | | | | |
| Ng Kian Teck | 71% | 9% | 20% | 100% |
| Chia Kang Whye | 83% | 10% | 7% | 100% |
| Seah Chin Tiong | 69% | 13% | 18% | 100% |
| Loo Pei Fen | 74% | 12% | 14% | 100% |

The Company has not disclosed exact details of the remuneration of each individual director and key management personnel as it is not in the best interests of the Company and employees to disclose such details due to the sensitive nature of such information. The annual aggregate remuneration paid to the top five (5) key management personnel of the Company (who are not directors or the CEO) for FY2015 is $907,000.

The remuneration of Ms. Loo Pei Fen, the daughter of the Company's CEO, Mr. Loo Leong Thye, falls within the band of $150,000 and $200,000 during the financial year under review. Save as disclosed, there are no other employees who are immediate family members of a Director and whose remuneration exceeds $50,000.

**Accountability**

**Principle 10: The board should present a balanced and understandable assessment of the company's performance, position and prospects.**

Quarterly and full yearly results are released via SGXNET within the respective time lines stipulated in the SGX-ST Listing Manual. In this regard, the Board, with the assistance of the Management, strives to provide a balanced and understandable assessment of the Company's performance, position and prospects. The Board also released other price sensitive public reports and reports to regulators, where required.

**Risk Management and Internal Controls**

**Principle 11: The board is responsible for the governance of risk. The board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the board is willing to take in achieving its strategic objectives.**

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk. However, such systems are designed to manage rather than eliminate completely the risk of failure to business objectives. It should also be noted that any system could only provide reasonable and not absolute assurance against material misstatement, losses or fraud.

The Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instills the right risk focused culture throughout the Group for effective risk governance.

The Board has approved a Group Risk Management Framework for the identification of key risks within the business which is aligned with the ISO 31000:2009 Risk Management framework.

The AC is responsible for overseeing risk governance and the related roles and responsibilities of the AC on risk governance include the following:

- proposing the risk governance approach and risk policies for the Group to the Board;
- reviewing the risk management methodology adopted by the Group;
- reviewing the strategic, financial, operational, regulatory, compliance, information technology and other emerging risks relevant to the Group identified by management; and
- reviewing management's assessment of risks and management's action plans to mitigate such risks.

The Management presented an annual report to the AC and the Board on the Group's risk profile, the status of risk mitigation action plans and the results of various assurance activities carried out on the adequacy of the Group's internal controls including financial, operational, compliance and information technology controls. Such assurance activities include controlled self-assessment performed by the Management, internal and external audits conducted by external professional service firms.

# CORPORATE GOVERNANCE

The Board has obtained a written confirmation from the CEO and CFO:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) regarding the adequacy and effectiveness of the Group's risk management systems and internal control systems.

Based on the risk management framework and internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the Management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's risk management framework and internal controls including financial, operational, compliance and information technology controls, were adequate and effective for FY2015 to address the risks which the Group considers relevant and material to its current business environment and scope of operations.

The Board notes that the system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard or against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

**Audit Committee**

**Principle 12: The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.**

*Establishment, Composition and Membership of AC*

The Company has the AC, which reports to the Board on all matters requiring audit in respect of the Company.

As the date of this report, the AC comprises three (3) IDs, hence fulfilling the requirement that the AC be made up of at least three (3) non-executive directors, the majority of whom, including the AC chairman, are independent.

The membership of the AC is, as follows:

| | | |
|---|---|---|
| Chairman: | Tan Han Beng | (Lead ID) |
| Members: | Max Ng Chee Weng | (ID) |
| | Tan Chay Boon | (ID) |

The AC has written terms of reference that clearly set out its authority and duties.

*Responsibilities of AC*

The responsibilities of the AC are:

i. to review the quarterly financial statements and the accompanying statements presented for approval, before endorsement by the Board so as to ensure the integrity of information to be released;

ii. to review the scope and results of the audit of the Group and its cost effectiveness, and the independence and objectivity of the external auditors;

iii. to review the nature and extent of non-audit services by the external auditors, when necessary and to seek a balance in the maintenance of objectivity;

iv. to review significant financial reporting issues and judgments to ensure the integrity of financial statements and any formal announcements relating to the Company's financial statements;

v. to review the adequacy of the Company's internal controls including financial, operational, compliance and information technology controls established by the Management;

vi. to review and ratify all interested person transactions, if any, to ensure that they comply with the approved internal control procedures and have been conducted on an arm's length basis;

vii. to meet with the internal auditors and external auditors without the presence of the Management at least once a year;

viii. to review the independence of the external auditors annually; and

ix. to oversee risk governance (refer to detailed disclosure under Principle 11).

The members of the AC have sufficient financial management expertise, as determined by the Board in its business judgment, to discharge the AC's functions.

*Summary of the AC's activities*

The AC met four (4) times during the year under review. Details of members' attendance at the meetings are set out in Principle 1 above. The CFO, Company Secretary, internal auditors and external auditors are invited to these meetings. Other members of senior management level are also invited to attend as appropriate to present reports.

The AC has met with the external auditors and the internal auditors, without the presence of the management at least once in FY2015.

# CORPORATE GOVERNANCE

The AC met on a quarterly basis and reviewed the quarterly and full year announcements, material announcements and all related disclosures to the shareholders before submission to the Board for approval. In the process, the AC reviewed the audit plan and audit committee report presented by the external auditors. The external auditors provides regular updates and periodic briefing to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

The AC also reviewed the annual financial statements and discussed with the Management, the CFO and the external auditors the significant accounting policies, judgment and estimate applied by the Management in preparing the annual financial statements. Following the review and discussions, the AC then recommended to the Board for approval of the audited annual financial statements.

The aggregate amount of fees paid to the external auditors and other independent auditors for FY2015 was approximately $146,000. The audit fees to the external auditors amounted to approximately $108,000 and non-audit fees (in connection with the provision of income tax compliance work and review of results announcement service) amounted to approximately $31,000. The audit fees paid to the other independent auditors for FY2015 amounted to approximately $5,000 and non-audit fees (in connection with the provision of income tax compliance work) amounted to approximately $2,000. The AC, having reviewed such non-audit services, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The Board of Directors and AC are satisfied that the appointment of different auditing firms would not compromise the standard and effectiveness of the audit of the Group. The Group confirms that it has complied with Rule 712 and 715 of the SGX-ST Listing Manual in relation to its auditing firms.

The AC has reviewed arrangements by which the staff of the Company may, in confidence, raise concerns about (such as possible improprieties in matters of financial reporting or other matters), with the object of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. In this regard, the AC had since adopted a whistle-blowing policy with effect from FY2007 and further enhanced in FY2014 (the "Whistle-Blowing Policy"). The AC oversees the administration of the Whistle-Blowing Policy. Periodic reports will be submitted to the AC stating the number and the complaints received, the results of the investigations, follow-up actions and unresolved complaints.

The Whistle-Blowing Policy encourages employees and external parties to raise concerns, in confidence, about possible irregularities to an independent third party provider, Yang Lee and Associates. During FY2015, there were no complaints, concerns or issues received.

**Internal Audit**

**Principle 13: The company should establish an internal audit function that is independent of the activities it audits.**

The Group outsources its internal audit function to Yang Lee & Associates ("IA"). The IA reports directly to the AC and internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the AC periodically.

The AC reviews and approves the internal audit scope and plan to ensure that there is sufficient coverage of the Group's activities. It also oversees the implementation of the internal audit plan and ensures that Management provides the necessary co-operation to enable the IA to perform its function.

The IA is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

The AC annually reviews the adequacy of the internal audit function to ensure that the internal audits are performed effectively. The AC is satisfied that the IA is staffed by qualified and experienced personnel.

The IA completed one (1) review during FY2015 in accordance with the internal control testing plan developed under the Group Risk Management Framework and approved by the AC.

**Shareholder Rights, Communication with Shareholders, and Conduct on Shareholder Meetings**

**Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.**

**Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

**Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

All shareholders are treated fairly and equitably to facilitate their ownership rights. The Board recognises the importance of maintaining transparency and accountability to its shareholders. The Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

# CORPORATE GOVERNANCE

The Company's Articles of Association allow all shareholders to appoint proxy/proxies to attend general meetings and vote on his/her/their behalf.

The Board is mindful of its obligations to provide timely disclosure of material information to shareholders of the Company and does so through:

i. annual reports issued to all shareholders. Non-shareholders may access the SGX website for copies of the Company's annual reports;

ii. quarterly and full yearly announcements of, and press briefings on, its financial statements on the SGXNET;

iii. other announcements on the SGXNET;

iv. media releases on major developments regarding the Company; and

v. the Company's website at www.challengerasia.com through which shareholders can access information on the Company.

The Company regards its Annual General Meeting as an opportunity to communicate directly with shareholders and therefore encourages greater shareholder participation, whether in person or by proxy. The CEO and other Directors attend the Annual General Meetings and are available to answer questions and address concerns from shareholders.

The Company has specifically entrusted an investor relations team comprising the CEO and the CFO with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.

Resolutions are as far as possible, structured separately and may be voted upon independently. Resolutions are passed at general meetings by hand and by poll, if required.

In compliance with the prevailing rules of the SGX-ST Listing Manual, all resolutions will be voted on by way of poll at general meetings held on and after 1 August 2015. This will entail shareholders being invited to vote on each of the resolutions by poll, using polling slips (instead of voting by hands), thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. The voting results of all votes cast for, or against, each resolution will then be screened at the meeting and announced to the SGX-ST after the meeting.

### Securities Transactions by Officers and Employees

In compliance with Rule 1207(19) as set out in the SGX-ST Listing Manual on dealings in securities, the Company, Directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in the possession of unpublished price-sensitive information. The Company prohibits dealings in its shares by its officers and employees during the period commencing two (2) weeks before the announcement of the Company's quarterly results or one (1) month before the announcement of the Company's full year results, and ending on the date of the announcement of the results.

### Interested Person Transactions (IPTs)

When a potential conflict of interest arises, the director concerned does not participate in discussion and refrains from exercising any influence over other members of the Board.

The Company has established internal control polices to ensure that IPTs are properly reviewed and approved and are conducted at arm's length basis.

Saved as disclosed in the audited financial statements of this Annual Report, the Company confirms that there were no individual interested person transactions above $100,000, as defined in Chapter 9 of the SGX-ST Listing Manual, entered into during FY2015.

### Material Contracts

There were no material contracts entered into by the Company during FY2015 or still subsisting as at 31 December 2015 which involved the interests of any of the Directors, CEO or controlling shareholders of the Company.

### Corporate Social Responsibility

We believe that environmentally-friendly practices complement business efficiency. Our staff are encouraged to reduce, recycle and reuse and we advocate corporate social responsibility towards the environment by incorporating these processes in our daily operations. We encourage the use of non-woven bags in our retail outlets.

# STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2015.

## 1. Opinion of the directors

In the opinion of the directors,

(a) the accompanying financial statements and the consolidated financial statements set out on pages 43 to 104 are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and

(b) at the date of the statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

## 2. Directors in office at date of statement

The directors of the company in office at the date of this statement are:

Loo Leong Thye (Chief Executive Officer)
Tan Wee Ko
Max Ng Chee Weng
Tan Chay Boon
Tan Han Beng

## 3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year had no interests in the share capital of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 ("the Act") except as follows:

| **Name of directors and company in which interests are held** | **At beginning of the reporting year** | **At end of the reporting year** |
|---|---|---|
| **The company: Challenger Technologies Limited** | **Number of ordinary shares of no par value** | |
| Loo Leong Thye | 148,324,250 | 148,324,250 |
| Tan Wee Ko | 1,788,000 | 1,788,000 |
| Max Ng Chee Weng | 17,500 | 17,500 |

| Name of directors and company in which interests are held | Shareholdings in which directors are deemed to have an interest: At beginning of the reporting year | At end of the reporting year |
|---|---|---|
| **The company: Challenger Technologies Limited** | **Number of ordinary shares of no par value** | |
| Loo Leong Thye | 34,585,500 | 37,544,800 |
| Max Ng Chee Weng | 11,500 | 11,500 |

By virtue of section 7 of the Act, Mr Loo Leong Thye with the above shareholdings is deemed to have an interest in the company and in all the related corporations of the company.

The directors' interests as at 21 January 2016 were the same as those at the end of the reporting year.

## 4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

## 5. Options

During the reporting year, no option to take up unissued shares of the company or other body corporate in the group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

## 6. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

# STATEMENT BY DIRECTORS

## 7. Report of audit committee

The members of the audit committee at the date of this report are as follows:

| | | |
|---|---|---|
| Tan Han Beng | – | Chairman of audit committee |
| Max Ng Chee Weng | – | Independent director |
| Tan Chay Boon | – | Independent director |

The audit committee performs the functions specified by section 201B (5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan;
- Reviewed with the independent external auditor their evaluation of the company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by the management to them;
- Reviewed with the internal auditors the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor;
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditors provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditors at the next annual general meeting of the company.

# STATEMENT BY DIRECTORS

**8. Subsequent developments**

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 15 February 2016, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On behalf of the directors

**Loo Leong Thye**
Chief Executive Officer

**Tan Wee Ko**
Executive Director

8 March 2016

# INDEPENDENT AUDITOR'S REPORT

**Independent Auditor's Report to the Members of**
**CHALLENGER TECHNOLOGIES LIMITED (Registration No: 198400182K)**

## Report on the financial statements

We have audited the accompanying financial statements of Challenger Technologies Limited (the "company") and its subsidiaries (the "group"), set out on pages 43 to 104, which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 of financial statements that give a true and fair view 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 management, 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

**Independent Auditors' Report to the Members of**
**CHALLENGER TECHNOLOGIES LIMITED (Registration No: 198400182K)**

**Opinion**

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the group and of the company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

**Report on other legal and regulatory requirements**

In our opinion, the accounting and other records required by the Act to be kept by the company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

**RSM Chio Lim LLP**
Public Accountants and
Chartered Accountants
Singapore

8 March 2016

Partner in charge of audit: Chan Sek Wai
Effective from reporting year ended 31 December 2013

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2015

| | Notes | Group 2015 $'000 | Group 2014 $'000 |
|---|---|---|---|
| **Revenue** | 5 | **352,245** | 355,112 |
| Interest income | 6 | **372** | 365 |
| Other gains | 7 | **1,303** | 341 |
| Changes in inventories of finished goods | | **3,259** | (643) |
| Purchase of goods and consumables | | **(282,133)** | (279,615) |
| Other consumables used | | **(530)** | (1,200) |
| Depreciation expense | 14 | **(4,274)** | (4,178) |
| Employee benefits expense | 8 | **(23,127)** | (24,001) |
| Other expenses | 9 | **(25,280)** | (26,877) |
| Other losses | 7 | **(100)** | (874) |
| **Profit before tax from continuing operations** | | **21,735** | 18,430 |
| Income tax expense | 10 | **(3,449)** | (3,411) |
| **Profit from continuing operations, net of tax** | | **18,286** | 15,019 |
| **Other comprehensive (loss)/income:** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translating foreign operations, net of tax | 23 | **(375)** | 81 |
| Available-for-sale financial assets, net of tax | 23 | **(118)** | 34 |
| **Other comprehensive (loss)/income for the year, net of tax:** | | **(493)** | 115 |
| **Total comprehensive income** | | **17,793** | 15,134 |
| Profit attributable to owners of the parent, net of tax | | **18,248** | 14,778 |
| Profit attributable to non-controlling interests, net of tax | | **38** | 241 |
| **Profit net of tax** | | **18,286** | 15,019 |
| Total comprehensive income attributable to owners of the parent | | **17,755** | 14,893 |
| Total comprehensive income attributable to non-controlling interests | | **38** | 241 |
| **Total comprehensive income** | | **17,793** | 15,134 |
| **Earnings per share** | | **Cents** | **Cents** |
| Earnings per share currency unit | | | |
| **Basic** | | | |
| Continuing operations | 12 | **5.29** | 4.28 |
| **Diluted** | | | |
| Continuing operations | 12 | **5.29** | 4.28 |

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

| | Notes | Group 2015 $'000 | Group 2014 $'000 | Company 2015 $'000 | Company 2014 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 14 | **12,834** | 13,755 | **12,482** | 13,513 |
| Investments in subsidiaries | 15 | **–** | – | **5,153** | 2,719 |
| Investment in associate | 16 | **–** | – | **–** | – |
| Other financial assets | 17 | **8,749** | 3,651 | **6,288** | 3,651 |
| **Total non-current assets** | | **21,583** | 17,406 | **23,923** | 19,883 |
| **Current assets** | | | | | |
| Inventories | 18 | **37,662** | 34,480 | **37,597** | 34,458 |
| Trade and other receivables | 19 | **5,780** | 5,704 | **6,555** | 7,246 |
| Other assets | 20 | **4,961** | 5,011 | **4,799** | 4,786 |
| Cash and cash equivalents | 21 | **41,653** | 52,621 | **33,430** | 44,297 |
| **Total current assets** | | **90,056** | 97,816 | **82,381** | 90,787 |
| **Total assets** | | **111,639** | 115,222 | **106,304** | 110,670 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 22 | **18,775** | 18,775 | **18,775** | 18,775 |
| Retained earnings | | **57,430** | 47,294 | **58,028** | 48,433 |
| Other reserves | 23 | **(244)** | 249 | **(120)** | (2) |
| **Equity, attributable to owners of the parent** | | **75,961** | 66,318 | **76,683** | 67,206 |
| Non-controlling interests | | **704** | 570 | **–** | – |
| **Total equity** | | **76,665** | 66,888 | **76,683** | 67,206 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 10 | **22** | 45 | **–** | 22 |
| Provisions | 24 | **1,892** | 1,631 | **1,892** | 1,631 |
| Other liabilities, non-current | 25 | **2,805** | 3,357 | **992** | 1,203 |
| **Total non-current liabilities** | | **4,719** | 5,033 | **2,884** | 2,856 |
| **Current liabilities** | | | | | |
| Trade and other payables | 26 | **18,344** | 29,814 | **16,968** | 28,584 |
| Income tax payable | | **3,395** | 3,352 | **3,022** | 3,266 |
| Other liabilities, current | 25 | **8,516** | 10,135 | **6,747** | 8,758 |
| **Total current liabilities** | | **30,255** | 43,301 | **26,737** | 40,608 |
| **Total liabilities** | | **34,974** | 48,334 | **29,621** | 43,464 |
| **Total equity and liabilities** | | **111,639** | 115,222 | **106,304** | 110,670 |

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2015

| | Total Equity $'000 | Attributable to Parent sub-total $'000 | Share Capital $'000 | Retained Earnings $'000 | Other Reserves $'000 | Non-controlling Interests $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Current year:** | | | | | | |
| Opening balance at 1 January 2015 | **66,888** | **66,318** | **18,775** | **47,294** | **249** | **570** |
| **Movements in equity:** | | | | | | |
| Total comprehensive income for the year | **17,793** | **17,755** | **–** | **18,248** | **(493)** | **38** |
| Issue of share capital to non-controlling interests | **396** | **–** | **–** | **–** | **–** | **396** |
| Dividends paid (Note 13) | **(8,412)** | **(8,112)** | **–** | **(8,112)** | **–** | **(300)** |
| **Closing balance at 31 December 2015** | **76,665** | **75,961** | **18,775** | **57,430** | **(244)** | **704** |
| **Previous year:** | | | | | | |
| Opening balance at 1 January 2014 | 60,633 | 60,124 | 18,775 | 41,215 | 134 | 509 |
| **Movements in equity:** | | | | | | |
| Total comprehensive income for the year | 15,134 | 14,893 | – | 14,778 | 115 | 241 |
| Dividends paid (Note 13) | (8,879) | (8,699) | – | (8,699) | – | (180) |
| **Closing balance at 31 December 2014** | 66,888 | 66,318 | 18,775 | 47,294 | 249 | 570 |

| | Total Equity $'000 | Share Capital $'000 | Retained Earnings $'000 | Other Reserves $'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **Current year:** | | | | |
| Opening balance at 1 January 2015 | **67,206** | **18,775** | **48,433** | **(2)** |
| **Movements in equity:** | | | | |
| Total comprehensive income for the year | **17,407** | **–** | **17,525** | **(118)** |
| Disposal of an interest in a subsidiary without a change in control (Note 15) | **182** | **–** | **182** | **–** |
| Dividends paid (Note 13) | **(8,112)** | **–** | **(8,112)** | **–** |
| **Closing balance at 31 December 2015** | **76,683** | **18,775** | **58,028** | **(120)** |
| **Previous year:** | | | | |
| Opening balance at 1 January 2014 | 60,941 | 18,775 | 42,202 | (36) |
| **Movements in equity:** | | | | |
| Total comprehensive income for the year | 14,964 | – | 14,930 | 34 |
| Dividends paid (Note 13) | (8,699) | – | (8,699) | – |
| **Closing balance at 31 December 2014** | 67,206 | 18,775 | 48,433 | (2) |

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2015

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| **Cash flows from operating activities** | | |
| Profit before tax | **21,735** | 18,430 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **4,274** | 4,178 |
| Losses on disposal of plant and equipment | **32** | 777 |
| Losses on disposal of available-for-sale financial assets | **–** | 2 |
| Losses on available-for-sale financial assets reclassified from equity to profit or loss as a reclassification adjustment, net | **–** | 6 |
| Interest income | **(372)** | (365) |
| Net effect of exchange rate changes in consolidating foreign operations | **(361)** | 111 |
| Operating cash flows before working capital changes | **25,308** | 23,139 |
| Trade and other receivables | **(76)** | 2,652 |
| Other assets | **50** | 1,508 |
| Inventories | **(3,182)** | 795 |
| Trade and other payables | **(11,470)** | (801) |
| Other liabilities | **(2,171)** | (149) |
| Net cash flows from operations | **8,459** | 27,144 |
| Income taxes paid | **(3,429)** | (3,617) |
| Net cash flows from operating activities | **5,030** | 23,527 |
| **Cash flows from investing activities** | | |
| Interest received | **372** | 365 |
| Addition in available-for-sale financial assets | **(5,216)** | – |
| Proceeds from disposal of plant and equipment | **–** | 213 |
| Proceeds from disposal of available-for-sale financial assets | **–** | 255 |
| Purchase of plant and equipment | **(3,124)** | (5,788) |
| Net cash flows used in investing activities | **(7,968)** | (4,955) |
| **Cash flows from financing activities** | | |
| Dividends paid to equity owners | **(8,112)** | (8,699) |
| Dividends paid to non-controlling interests | **(300)** | (180) |
| Investment in a subsidiary by non-controlling interests | **396** | – |
| Net cash flows used in financing activities | **(8,016)** | (8,879) |
| **Net (decrease) increase in cash and cash equivalents** | **(10,954)** | 9,693 |
| Cash and cash equivalents, consolidated statement of cash flows, beginning balance | **52,621** | 42,946 |
| Effect of exchange rate adjustments | **(14)** | (18) |
| **Cash and cash equivalents, consolidated statement of cash flows, ending balance (Note 21)** | **41,653** | 52,621 |

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 1. General

The company is incorporated in Singapore with limited liability. It is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are presented in Singapore dollars and they cover the company (referred to as "parent") and the subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities of the company are to provide IT products and services through the sale of IT and related products.

The principal activities of the subsidiaries and associate are described in Notes 15 and 16 to the financial statements.

The registered office is: 1 Ubi Link, Challenger TecHub Singapore 408553. The company is situated in Singapore. The principal place of business is in Singapore.

**Accounting convention**

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs may not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

**Basis of preparation of the financial statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

# 1. General (Continued)

**Basis of presentation**

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation.

Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income is not presented.

# 2. Significant accounting policies and other explanatory information

## 2A. Significant accounting policies

***Revenue recognition***

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are not significant transactions is recognised as the services are provided or when the significant acts have been completed. Interest income is recognised using the effective interest method. Dividend from equity instruments is recognised as income when the entity's right to receive dividend is established.

# 2. Significant accounting policies and other explanatory information (Continued)

## 2A. Significant accounting policies (Continued)

***Revenue recognition (Continued)***

The consideration received from the sale of goods to customers under the customer loyalty programme is allocated to the goods sold and the points issued (award credits) that are expected to be redeemed. The consideration allocated to the award credits is measured at the fair value of the points. It is recognised as a liability (deferred revenue) on the statement of financial position and recognised as revenue when the points are redeemed, have expired or are no longer expected to be redeemed. The amount of revenue recognised is based on the number of award credits that have been redeemed, relative to the total number expected to be redeemed.

Warranty service revenues are recognised rateably over the warranty period; warranty-related costs are recognised as incurred. The unearned warranty service revenues are recognised as a liability on the statement of financial position.

Membership fees are recognised rateably over the membership period after recognition of a portion of fees as initial setup revenue. The unearned membership fees are recognised as a liability on the statement of financial position.

***Government grants***

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants in recognition of specific expenses are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. A grant related to depreciable assets is allocated to income over the period in which such assets are used in the project subsidised by the grant. A government grant related to assets, including non-monetary grants at fair value, is presented in the statement of financial position by setting up the grant as deferred income.

***Employee benefits***

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). Certain subsidiaries overseas have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the entity

# 2. Significant accounting policies and other explanatory information (Continued)

## 2A. Significant accounting policies (Continued)

***Employee benefits (Continued)***

in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

***Income tax***

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries and associates except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

# 2. Significant accounting policies and other explanatory information (Continued)

## 2A. Significant accounting policies (Continued)

***Foreign currency transactions***

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

***Translation of financial statements of other entities***

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

***Segment reporting***

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

# 2. Significant accounting policies and other explanatory information (Continued)

## 2A. Significant accounting policies (Continued)

***Property, plant and equipment***

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

| | | |
|---|---|---|
| Leasehold property | – | 3.8% |
| Renovations | – | 12.5% to 33% |
| Plant and equipment | – | 10% to 33% |

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. See Note 24 on non-current provisions.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 2. Significant accounting policies and other explanatory information (Continued)

### 2A. Significant accounting policies (Continued)

***Leases***

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

***Subsidiaries***

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

## 2. Significant accounting policies and other explanatory information (Continued)

### 2A. Significant accounting policies (Continued)

***Associates***

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with FRS 103 Business Combinations. However the entire carrying amount of the investment is tested under FRS 36 for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in FRS 39 indicates that the investment may be impaired.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with FRS 39 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

In the company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

# 2. Significant accounting policies and other explanatory information (Continued)

## 2A. Significant accounting policies (Continued)

***Business combinations***

Business combinations are accounted for by applying the acquisition method of accounting. There were no acquisitions during the reporting year.

***Non-controlling interests***

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

***Impairment of non-financial assets***

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

# 2. Significant accounting policies and other explanatory information (Continued)

## 2A. Significant accounting policies (Continued)

***Inventories***

Inventories are measured at the lower of cost (first in first out method) and net realisable value. 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. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

***Financial assets***

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## 2. Significant accounting policies and other explanatory information (Continued)

### 2A. Significant accounting policies (Continued)

***Financial assets (Continued)***

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at end of the reporting year date there were no financial assets classified in this category.

2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

## 2. Significant accounting policies and other explanatory information (Continued)

### 2A. Significant accounting policies (Continued)

***Financial assets (Continued)***

3. Held-to-maturity financial assets: As at end of the reporting year date there were no financial assets classified in this category.

4. Available-for-sale financial assets: These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading revaluation reserves. Such reserves are reclassified to profit or loss when realised through disposal. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. A significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against revaluation reserves and is not subsequently reversed through profit or loss. However for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. The financial assets are classified as non-current assets unless management intends to dispose of the investments within 12 months of the end of the reporting year. Usually non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates. Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and management is unable to establish fair value by using valuation techniques except that where management can establish fair value by using valuation techniques the relevant unquoted investments are stated at fair value. For unquoted equity instruments impairment losses are not reversed.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 2. Significant accounting policies and other explanatory information (Continued)

### 2A. Significant accounting policies (Continued)

***Cash and cash equivalents***

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand, if any, that form an integral part of cash management.

***Financial liabilities***

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

## 2. Significant accounting policies and other explanatory information (Continued)

### 2A. Significant accounting policies (Continued)

***Financial liabilities (Continued)***

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount measured in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

***Fair value measurement***

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

## 2. Significant accounting policies and other explanatory information (Continued)

### 2A. Significant accounting policies (Continued)

***Fair value measurement (Continued)***

In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

## 2. Significant accounting policies and other explanatory information (Continued)

### 2A. Significant accounting policies (Continued)

***Provisions***

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

### 2B. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Net realisable value of inventories:

A review is made on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in Note 18 on inventories.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 2. Significant accounting policies and other explanatory information (Continued)

### 2B. Critical judgements, assumptions and estimation uncertainties (Continued)

Customer loyalty programme:

The group allocates the consideration received from the sale of goods to the goods sold and the points issued under its Reward Points Customer Loyalty Programme (the "Programme"). The consideration allocated to the points issued is measured at their fair values. Fair values are determined by considering, among others, the following factors: the range of products available to the customers, the prices at which the group sells the products which can be redeemed and the changing patterns in the redemption rates. The carrying amount of the group's deferred revenue in relation to the Programme at the end of the reporting year is disclosed in Note 25C on other liabilities.

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for property, plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset or class of assets at the end of the reporting year affected by the assumption is disclosed in Note 14 on property, plant and equipment.

Measurement of impairment of subsidiary:

Where an investee is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. The carrying amount of the specific asset (or class of assets) at the end of the reporting year affected by the assumption is $5,153,000 (2014: $2,108,000).

## 2. Significant accounting policies and other explanatory information (Continued)

### 2B. Critical judgements, assumptions and estimation uncertainties (Continued)

Allowance for doubtful trade accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note 19 on trade and other receivables.

## 3. Related party relationships and transactions

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

The ultimate controlling party is Mr Loo Leong Thye.

### 3.1 Related party transaction:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances are unsecured without fixed repayment terms and interest unless stated otherwise.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 3. Related party relationships and transactions (Continued)

### 3.1 Related party transaction: (Continued)

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

Significant related party transactions:

| | Group Other related parties | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Fees to a firm in which a director has an interest | **271** | 261 |

### 3.2 Key management compensation:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Salaries and other short-term employee benefits | **2,871** | 2,563 |

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Remuneration of directors of the company | **1,727** | 1,121 |
| Remuneration of directors of the subsidiaries | **553** | 567 |
| Fees to directors of the company | **97** | 87 |

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The above amounts for key management compensation are for the directors and other key management personnel.

# 4. Financial information by operating segments

## 4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the reporting entity.

For management purposes the reporting entity is organised into the following major strategic operating segments that offer different products and services: (1) IT products and services, (2) electronic signage services and (3) telephonic call centre and data management services. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

The IT products and services segment is involved in retailing a large selection of IT products including personal computers, notebooks, printers, scanners, digital imaging solutions, personal digital assistants, mobile and wireless connectivity solutions, audio-visual and projection equipment, and related peripherals.

The electronic signage services segment is involved in the supply and installation of electronic signages and provision of electronic signage services.

The telephonic call centre and data management services segment carries on the business of telephonic call centre, data management services and direct marketing services.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before depreciation and amortisation, interests and income taxes (called "Recurring EBITDA") and (2) profit before tax from continuing operations.

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 4. Financial information by operating segments (Continued)

### 4B. Profit or loss from continuing operations and reconciliations

| | IT products and services $'000 | Electronic signage $'000 | Telephonic call centre and data management services $'000 | Total $'000 |
|---|---|---|---|---|
| **Continuing operations 2015** | | | | |
| **Revenue by segment** | | | | |
| Total revenue by segment | **346,712** | **443** | **5,376** | **352,531** |
| Inter-segment sales and services | **(142)** | **(24)** | **(120)** | **(286)** |
| Total revenue | **346,570** | **419** | **5,256** | **352,245** |
| **Recurring EBITDA** | **25,060** | **(258)** | **835** | **25,637** |
| Interest income | **362** | **–** | **10** | **372** |
| Depreciation | **(4,171)** | **(8)** | **(95)** | **(4,274)** |
| Profit before tax from continuing operations | **21,251** | **(266)** | **750** | **21,735** |
| Income tax expense | | | | **(3,449)** |
| **Profit from continuing operations** | | | | **18,286** |

| | IT products and services $'000 | Electronic signage $'000 | Telephonic call centre and data management services $'000 | Total $'000 |
|---|---|---|---|---|
| **Continuing operations 2014** | | | | |
| **Revenue by segment** | | | | |
| Total revenue by segment | 348,466 | 939 | 5,765 | 355,170 |
| Inter-segment sales and services | (21) | (2) | (35) | (58) |
| **Total revenue** | 348,445 | 937 | 5,730 | 355,112 |
| **Recurring EBITDA** | 21,266 | 73 | 904 | 22,243 |
| Interest income | 332 | – | 33 | 365 |
| Depreciation | (4,106) | (8) | (64) | (4,178) |
| Profit before tax from continuing operations | 17,492 | 65 | 873 | 18,430 |
| Income tax expense | | | | (3,411) |
| **Profit from continuing operations** | | | | 15,019 |

## 4. Financial information by operating segments (Continued)

### 4C. Assets and reconciliations

| | IT products and services $'000 | Electronic signage $'000 | Telephonic call centre and data management services $'000 | Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Total assets for reportable segments | **84,330** | **747** | **6,243** | **–** | **91,320** |
| Unallocated: | | | | | |
| Cash and cash equivalents | **–** | **–** | **–** | **11,570** | **11,570** |
| Other financial assets | **–** | **–** | **–** | **8,749** | **8,749** |
| **Total group assets** | **84,330** | **747** | **6,243** | **20,319** | **111,639** |
| **2014** | | | | | |
| Total assets for reportable segments | 87,199 | 750 | 6,528 | – | 94,477 |
| Unallocated: | | | | | |
| Cash and cash equivalents | – | – | – | 17,094 | 17,094 |
| Other financial assets | – | – | – | 3,651 | 3,651 |
| **Total group assets** | 87,199 | 750 | 6,528 | 20,745 | 115,222 |

### 4D. Liabilities and reconciliations

| | IT products and services $'000 | Electronic signage $'000 | Telephonic call centre and data management services $'000 | Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Total liabilities for reportable segments | **26,576** | **360** | **4,621** | **–** | **31,557** |
| Unallocated: | | | | | |
| Deferred and current tax liabilities | **–** | **–** | **–** | **3,417** | **3,417** |
| **Total group liabilities** | **26,576** | **360** | **4,621** | **3,417** | **34,974** |
| 2014 | | | | | |
| Total liabilities for reportable segments | 39,977 | 64 | 4,896 | – | 44,937 |
| Unallocated: | | | | | |
| Deferred and current tax liabilities | – | – | – | 3,397 | 3,397 |
| **Total group liabilities** | 39,977 | 64 | 4,896 | 3,397 | 48,334 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 4. Financial information by operating segments (Continued)

### 4E. Other material items and reconciliations

| | IT products and services $'000 | Electronic signage $'000 | Telephonic call centre and data management services $'000 | Total $'000 |
|---|---|---|---|---|
| Expenditure for non-current assets | | | | |
| 2015 | **2,986** | **–** | **138** | **3,124** |
| 2014 | 5,708 | 26 | 54 | 5,788 |

### 4F. Geographical information

| | Revenue | | Non-current Assets | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Singapore | **352,245** | 351,007 | **12,738** | 13,655 |
| Malaysia | **–** | 4,105 | **–** | – |
| People's Republic of China | **–** | – | **96** | 100 |
| Subtotal for all foreign countries | **–** | 4,105 | **96** | 100 |
| Total continuing operations | **352,245** | 355,112 | **12,834** | 13,755 |

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments.

### 4G. Information about major customers

There are no customers with revenue transactions of over 10 % of the group revenue.

## 5. Revenue

| | Group 2015 $'000 | Group 2014 $'000 |
|---|---|---|
| IT products and services | **345,124** | 347,221 |
| Electronic signage services – rendering of services | **418** | 935 |
| Rental income | **1,447** | 1,226 |
| Telephonic call centre and data management services | **5,256** | 5,730 |
| | **352,245** | 355,112 |

## 6. Interest income

| | Group 2015 $'000 | Group 2014 $'000 |
|---|---|---|
| Interest income from financial institutions | **372** | 365 |

## 7. Other gains and (other losses)

| | Group 2015 $'000 | Group 2014 $'000 |
|---|---|---|
| Foreign exchange adjustment gains/(losses) | **447** | (26) |
| Sundry income | **217** | 52 |
| Government grant income | **632** | 289 |
| Losses on disposal of plant and equipment | **(32)** | (777) |
| Losses on disposal of available-for-sale financial assets | **–** | (2) |
| Losses on available-for-sale financial assets reclassified from equity to profit or loss as a reclassification adjustment, net | **–** | (6) |
| Inventories written off | **(68)** | (61) |
| Inventories write down reversal/(written down) | **7** | (2) |
| Net | **1,203** | (533) |
| Presented in profit or loss as: | | |
| Other gains | **1,303** | 341 |
| Other losses | **(100)** | (874) |
| Net | **1,203** | (533) |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 8. Employee benefits expense

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Short term employee benefits expense | **20,274** | 21,150 |
| Contributions to defined contribution plans | **2,853** | 2,851 |
| Total employee benefits expense | **23,127** | 24,001 |

## 9. Other expenses

The major components and other selected components include the following:

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Rental expenses (Note 28) | **16,928** | 17,445 |
| Cards surcharges | **3,454** | 3,541 |
| Advertising and promotion expenses | **454** | 1,010 |

## 10. Income tax

### 10A. Components of tax expense recognised in profit or loss include:

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Current tax expense: | | |
| Current tax expense | **3,470** | 3,481 |
| Under/(Over) adjustments in respect of prior periods | **2** | (40) |
| Subtotal | **3,472** | 3,441 |
| Deferred tax expense: | | |
| Over adjustments in respect of prior periods | **(23)** | (30) |
| Subtotal | **(23)** | (30) |
| Total income tax expense | **3,449** | 3,411 |

# 10. Income tax (Continued)

## 10A. Components of tax expense recognised in profit or loss include: (Continued)

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2014: 17.0%) to profit or loss before income tax as a result of the following differences:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Profit before tax | **21,735** | 18,430 |
| Income tax expense at the above rate | **3,664** | 3,133 |
| Expenses not deductible for tax purposes | **488** | 358 |
| Stepped income exemption | **(340)** | (289) |
| Over adjustments to tax in respect of prior periods | **(21)** | (70) |
| Effect of different tax rates in different countries | **(44)** | (147) |
| Deferred tax assets not recognised | **93** | 426 |
| Previously unrecognised deferred tax assets utilised this year | **(391)** | – |
| Total income tax expense | **3,449** | 3,411 |

There are no income tax consequences of dividends to owners of the company.

## 10B. Deferred tax income recognised in profit or loss includes:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Excess of book over tax depreciation on plant and equipment | **43** | (58) |
| Deferred revenue | **307** | 154 |
| Provisions | **9** | (21) |
| Unutilised capital allowance and tax losses | **790** | (531) |
| Deferred tax assets forfeited due to liquidation of a subsidiary | **(874)** | – |
| Previously unrecognised deferred tax assets utilised this year | **(391)** | – |
| Deferred tax assets not recognised | **93** | 426 |
| Total deferred tax income recognised in profit or loss | **(23)** | (30) |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 10. Income tax (Continued)

### 10C. Deferred tax balance in the statements of financial position:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Deferred tax liabilities: | | | | |
| Excess of net book value of plant and equipment over tax values | **(611)** | (568) | **(589)** | (544) |
| Total deferred tax liabilities | **(611)** | (568) | **(589)** | (544) |
| Deferred tax assets: | | | | |
| Deferred revenue | **557** | 864 | **557** | 864 |
| Provisions | **32** | 41 | **32** | 41 |
| Unutilised capital allowance and tax losses | **235** | 1,025 | **–** | – |
| Deferred tax assets not recognised | **(235)** | (1,407) | **–** | (383) |
| Total deferred tax assets | **589** | 523 | **589** | 522 |
| Net total of deferred tax liabilities | **(22)** | (45) | **–** | (22) |

It is impracticable to estimate the amount expected to be settled or used within one year.

Certain subsidiaries of the group have unutilised tax losses and unabsorbed capital allowances of approximately $1,117,000 (2014: $2,285,000) and nil (2014: $1,816,000), respectively, available to offset against future profits. No deferred tax assets have been recognised on these tax losses as the future profit streams of these subsidiaries are not probable. The realisation of the future income tax benefits from tax carryforwards is available for unlimited future period and subject to applicable laws and agreement by relevant tax authorities, except that unutilised tax losses of $570,000 (2014: $607,000) which is related to a subsidiary in the People's Republic of China, whereby the unutilised tax losses carryforwards can only be carried forward for a period of 5 years from the date in which the losses were incurred. These unutilised tax losses will expire as follows:–

| | Unutilised tax losses | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Year of expiry | | |
| 2019 | **570** | 607 |

Temporary differences arising in connection with interests in subsidiaries and associates are insignificant.

## 11. Items in the consolidated statement of profit or loss and other comprehensive income

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Audit fees to independent auditor of the company | **108** | 105 |
| Audit fees to other independent auditors | **5** | 5 |
| Other fees to the independent auditor of the company | **31** | 16 |
| Other fees to the other independent auditors | **2** | 1 |

## 12. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Numerators: Earnings attributable to equity: | | |
| Continuing operations: Attributable to equity holders | **18,248** | 14,778 |
| | **No: '000** | **No: '000** |
| Denominators: Weighted average number of equity shares | | |
| Basic | **345,208** | 345,208 |

The weighted average number of equity shares refers to shares in circulation during the reporting period.

Basic earnings per share ratio is based on the weighted average number of common shares outstanding during each period. There is no dilution of earnings per share as there are no dilutive potential ordinary shares outstanding as at the end of the reporting year.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 13. Dividends on equity shares

| | Group and Company | | | |
|---|---|---|---|---|
| | Rate per share – cents | | | |
| | 2015 | 2014 | 2015 $'000 | 2014 $'000 |
| Final tax exempt (1-tier) dividend paid | 1.25 | 1.42 | 4,315 | 4,902 |
| Interim exempt (1-tier) dividend paid | 1.1 | 1.1 | 3,797 | 3,797 |
| Total dividends paid in the year | | | 8,112 | 8,699 |

In respect of the current reporting year, the directors propose that a final dividend of 1.55 cents per share with a total of $5,351,000 be paid to shareholders after the annual general meeting to be held on 28 April 2016. There are no income tax consequences. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable. There are no income tax consequences of the dividends to shareholders.

## 14. Property, plant and equipment

| Group | Leasehold Property $'000 | Renovations $'000 | Plant & Equipment $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 1 January 2014 | 7,200 | 6,131 | 13,607 | 26,938 |
| Foreign exchange adjustments | – | (14) | (26) | (40) |
| Additions | – | 2,550 | 3,419 | 5,969 |
| Disposals | – | (1,117) | (2,143) | (3,260) |
| At 31 December 2014 | 7,200 | 7,550 | 14,857 | 29,607 |
| Foreign exchange adjustments | – | 2 | 2 | 4 |
| Additions | – | 1,140 | 2,243 | 3,383 |
| Disposals | – | (266) | (1,234) | (1,500) |
| At 31 December 2015 | **7,200** | **8,426** | **15,868** | **31,494** |
| **Accumulated depreciation:** | | | | |
| At 1 January 2014 | 1,385 | 3,585 | 9,002 | 13,972 |
| Foreign exchange adjustments | – | (11) | (17) | (28) |
| Depreciation for the year | 277 | 1,493 | 2,408 | 4,178 |
| Disposals | – | (852) | (1,418) | (2,270) |
| At 31 December 2014 | 1,662 | 4,215 | 9,975 | 15,852 |
| Depreciation for the year | 277 | 1,584 | 2,413 | 4,274 |
| Disposals | – | (244) | (1,222) | (1,466) |
| At 31 December 2015 | **1,939** | **5,555** | **11,166** | **18,660** |
| **Carrying value:** | | | | |
| At 1 January 2014 | 5,815 | 2,546 | 4,605 | 12,966 |
| At 31 December 2014 | 5,538 | 3,335 | 4,882 | 13,755 |
| At 31 December 2015 | **5,261** | **2,871** | **4,702** | **12,834** |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 14. Property, plant and equipment (Continued)

| Company | Leasehold Property $'000 | Renovations $'000 | Plant & Equipment $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 1 January 2014 | 7,200 | 5,371 | 11,405 | 23,976 |
| Additions | – | 2,223 | 3,003 | 5,226 |
| Disposals | – | (216) | (420) | (636) |
| At 31 December 2014 | 7,200 | 7,378 | 13,988 | 28,566 |
| Additions | – | 1,116 | 2,005 | 3,121 |
| Disposals | – | (224) | (948) | (1,172) |
| At 31 December 2015 | **7,200** | **8,270** | **15,045** | **30,515** |
| **Accumulated depreciation:** | | | | |
| At 1 January 2014 | 1,385 | 2,977 | 7,522 | 11,884 |
| Depreciation for the year | 277 | 1,345 | 2,116 | 3,738 |
| Disposals | – | (200) | (369) | (569) |
| At 31 December 2014 | 1,662 | 4,122 | 9,269 | 15,053 |
| Depreciation for the year | 277 | 1,560 | 2,283 | 4,120 |
| Disposals | – | (202) | (938) | (1,140) |
| At 31 December 2015 | **1,939** | **5,480** | **10,614** | **18,033** |
| **Carrying value:** | | | | |
| At 1 January 2014 | 5,815 | 2,394 | 3,883 | 12,092 |
| At 31 December 2014 | 5,538 | 3,256 | 4,719 | 13,513 |
| At 31 December 2015 | **5,261** | **2,790** | **4,431** | **12,482** |

**Details of leasehold property:**

| Description/Location | Tenure of land/ (Gross Floor Area) | Tenure of land/ last valuation date |
|---|---|---|
| Singapore: | | |
| 1 Ubi Link, Challenger Techub, Singapore 408553 | Property: 30 years from 2004/ (2,500 square metres) | Industrial building/ Not revalued |

## 15. Investments in subsidiaries

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **$'000** | $'000 |
| Unquoted equity shares at cost: | | |
| Balance at beginning of the year | **2,719** | 3,619 |
| Additions | **4,800** | – |
| Disposal of interest in subsidiaries without a change in control | **(937)** | – |
| Return of capital due to liquidation of a subsidiary | **(36)** | – |
| Less: Allowance for impairment | **(1,393)** | (900) |
| Cost at the end of the year | **5,153** | 2,719 |
| Total cost comprising: | | |
| Unquoted equity shares at cost: | **9,455** | 5,628 |
| Allowance for impairment | **(4,302)** | (2,909) |
| Total at cost | **5,153** | 2,719 |
| Movements in allowance for impairment: | | |
| Balance at beginning of the year | **2,909** | 2,009 |
| Impairment loss charge to profit or loss included in other losses | **1,393** | 900 |
| Balance at end of the year | **4,302** | 2,909 |

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **$'000** | $'000 |
| **Analysis of amount denominated in non-functional currencies:** | | |
| Malaysian Ringgit | **818** | 818 |
| Hong Kong Dollar | **238** | 238 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 15. Investments in subsidiaries (Continued)

The subsidiaries held by the company and its subsidiaries are listed below:

| Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditors) | Cost in books of the group | | Effective percentage of equity held | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 % | 2014 % |
| CBD eVision Pte Ltd[(a)]<br>Singapore<br>Electronic signage business | **1,500** | 1,500 | **100** | 100 |
| Valore Lifestyle Pte. Ltd.[(a)]<br>Singapore<br>Provision of IT products and services | **685** | 685 | **100** | 100 |
| Cmobile.sg Pte. Ltd.[(c)(d)]<br>(formerly known as Challenger Mobile Pte. Ltd.)<br>Singapore<br>Dormant | **1,000** | 1,000 | **100** | 100 |
| Challenger Holding (HK) Private Limited[(b)]<br>Hong Kong<br>Investment holding<br>(Yin Wing Ho & Co.) | **238** | 238 | **100** | 100 |
| Challenger eCommerce Pte. Ltd.[(c)(d)]<br>Singapore<br>Dormant | **464** | 500 | **100** | 100 |
| Challenge Ventures Pte. Ltd.[(a)]<br>Singapore<br>Other investment holding companies and asset or portfolio management<br>(Incorporated on 8 September 2015) | **4,750** | – | **100** | – |
| Challenger Technologies (M) Sdn. Bhd.[(c)(d)]<br>Malaysia<br>Dormant | **818** | 818 | **100** | 100 |
| Incall Systems Pte. Ltd.[(a)(e)]<br>Singapore<br>Telephonic call centre and data management services | **–** | 887 | **–** | 70 |
| | **9,455** | 5,628 | | |

## 15. Investments in subsidiaries (Continued)

| Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditors) | Cost in books of the group | | Effective percentage of equity held | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | % | % |
| Held through Challenger Holding (HK) Private Limited | | | | |
| Valore (Shanghai) Limited[c][d]<br>People's Republic of China<br>Dormant | **309** | 309 | **100** | 100 |
| Valore (Shenzhen) Private Limited[b]<br>People's Republic of China | **2,145** | 2,145 | **100** | 100 |
| Procurement of IT products<br>(Shenzhen HuaLong Certified Public Accountants) | | | | |
| Held through Challenge Ventures Pte. Ltd. | | | | |
| Incall Systems Pte. Ltd.[a][e]<br>Singapore<br>Telephonic call centre and data management services | **1,069** | – | **70** | – |
| Andios Pte. Ltd.[a]<br>Singapore<br>Software development and online market place for mobile phone and accessories<br>(Incorporated on 3 August 2015) | **680** | – | **66** | – |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 15. Investments in subsidiaries (Continued)

(a) Audited by RSM Chio Lim LLP, a member of RSM International.

(b) Other independent auditors. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. Their names are indicated above.

(c) Not audited as it is immaterial.

(d) In the process of liquidation.

(e) On 7 October 2015, the company transferred its entire 70% equity interest in Incall Systems Pte. Ltd. ("Incall") to a wholly owned subsidiary, Challenge Ventures Pte. Ltd. at a consideration of $1,069,000.

The disposal of Incall by the company to Challenge Ventures Pte. Ltd. is in substance a disposal without a change in control as the company continues to have effective equity interest of 70% in Incall through its 100% equity interest in Challenge Ventures Pte. Ltd. The transaction has been accounted for as an equity transaction. As a result, the gain on disposal of $182,000 has been recognised directly in equity and attributed to the owners of the company.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited the audit committee and the board of directors of the company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the group.

The decreasing performance of subsidiaries in CBD eVision Pte. Ltd and Challenger Holding (HK) Private Limited sub-group was considered sufficient evidence to trigger the impairment test, the entities suffered from losses during the current reporting year. Accordingly the costs of investment of $1,500,000 and $238,000, respectively, in the subsidiaries have been impaired to the recoverable amount.

Valore Lifestyle Pte. Ltd., ceased operations during the current reporting year. Accordingly the cost of investment of $685,000 in the subsidiary has been impaired fully.

The increasing performance of subsidiary, Incall Systems Pte. Ltd., was considered sufficient evidence to reverse the impairment loss. It has better performance from an increase in revenue during the current reporting year. Accordingly the impairment of $276,000 has been fully reversed.

## 15. Investments in subsidiaries (Continued)

There are subsidiaries that have non-controlling interests that are considered material to the reporting entity and additional disclosures on them (amounts before inter-company eliminations) are presented below.

| | Group 2015 $'000 | Group 2014 $'000 |
|---|---|---|
| Name of the subsidiary: Incall Systems Pte. Ltd. | | |
| 1. The profit allocated to NCI of the subsidiary during the reporting year | **222** | 241 |
| 2. Accumulated NCI of the subsidiary at the end of the reporting year | **492** | 570 |
| 3. The summarised financial information of the subsidiary (not adjusted for the percentage ownership held by the group and amounts before inter-company eliminations) is as follows: | | |
| Dividend paid to non-controlling interest | **300** | 180 |
| Current assets | **6,210** | 6,788 |
| Non-current assets | **152** | 109 |
| Current liabilities | **2,892** | 2,827 |
| Non-current liabilities | **1,830** | 2,171 |
| Revenues | **5,383** | 5,799 |
| Profit for the reporting year | **741** | 802 |
| Total comprehensive income | **741** | 802 |
| Operating cash flows, increase | **1,053** | 1,672 |
| Net cash flows, (decrease)/increase | **(78)** | 1,051 |
| Name of the subsidiary: Andios Pte. Ltd. | | |
| 1. The loss allocated to NCI of the subsidiary during the reporting year | **193** | – |
| 2. Accumulated NCI of the subsidiary at the end of the reporting year | **173** | – |
| 3. The summarised financial information of the subsidiary (not adjusted for the percentage ownership held by the group and amounts before inter-company eliminations) is as follows: | | |
| Current assets | **466** | – |
| Non-current assets | **78** | – |
| Current liabilities | **24** | – |
| Revenues | **3** | – |
| Loss for the reporting year | **555** | – |
| Total comprehensive loss | **555** | – |
| Operating cash flows, decrease | **574** | – |
| Net cash flows, increase | **419** | – |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 16. Investment in associate

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Carrying value: | | | | |
| Unquoted equity shares at cost | **311** | 311 | **311** | 311 |
| Less: Allowance for impairment | **(311)** | (311) | **(311)** | (311) |
| | **–** | – | **–** | – |

The associate held by the company is listed below:

| **Name of associate, country of incorporation, place of operations and principal activities** | **Percentage of equity held by group** | |
|---|---|---|
| | **2015** | **2014** |
| | **%** | **%** |
| Challenger Infortech (Beijing) Co., Ltd[a]<br>People's Republic of China<br>Dormant | **40** | 40 |

(a) The financial statements for the associate for the reporting year ended 31 December 2015 and 31 December 2014 were not available. The group has recognised its share of loss up to the cost of investment totalling $311,000 (2014: $311,000) which is not material to the group. The associate is currently dormant and in the process of closure.

## 17. Other financial assets

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Balance is made up of:– | | | | |
| Investments available-for-sale at fair value through other comprehensive income ("FVTOCI") | **6,288** | 3,651 | **6,288** | 3,651 |
| Unquoted investments at cost | **2,461** | – | **–** | – |
| | **8,749** | 3,651 | **6,288** | 3,651 |
| Analysis of amounts denominated in non-functional currency: | | | | |
| United States Dollar | **285** | – | – | – |

# 17. Other financial assets (Continued)

## 17A. Movements in other financial assets

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Investments available-for-sale at FVTOCI:– | | | | |
| Movements during the year: | | | | |
| Fair value at beginning of the year | **3,651** | 3,880 | **3,651** | 3,880 |
| Additions | **2,755** | – | **2,755** | – |
| Disposals | **–** | (263) | **–** | (263) |
| Increase (decrease) in fair value through other comprehensive income | **(118)** | 34 | **(118)** | 34 |
| Fair value at end of the year | **6,288** | 3,651 | **6,288** | 3,651 |
| Unquoted investments at cost:– | | | | |
| Movements during the year: | | | | |
| Cost at beginning of the year | **–** | – | **–** | – |
| Additions | **2,461** | – | **–** | – |
| Cost at end of the year | **2,461** | – | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 17. Other financial assets (Continued)

### 17B. Disclosures relating to investments

The information gives a summary of the significant sector concentrations within the investment portfolio including Level 1, 2 and 3 securities:

Investments available-for-sale at FVTOCI:–

| | Level | Group 2015 $'000 | Group 2014 $'000 | Company 2015 $'000 | Company 2014 $'000 |
|---|---|---|---|---|---|
| Quoted corporate bonds in Singapore | | | | | |
| Real estate industry | 1 | **515** | 523 | **515** | 523 |
| Unquoted corporate bonds in Singapore | | | | | |
| Real estate industry | 2 | **1,554** | 1,574 | **1,554** | 1,574 |
| Transport and logistics industry | 2 | **1,206** | 510 | **1,206** | 510 |
| Banking industry | 2 | **2,241** | 265 | **2,241** | 265 |
| Travel and lodging industry | 2 | **511** | 517 | **511** | 517 |
| Financial services industry | 2 | **261** | 262 | **261** | 262 |
| Subtotal | | **5,773** | 3,128 | **5,773** | 3,128 |
| Total investments available-for-sale at FVTOCI | | **6,288** | 3,651 | **6,288** | 3,651 |

The rate of interest for the interest earning bonds is ranged between 3.8% to 5.5% (2014: 3.8% to 5.5%) per annum.

# 17. Other financial assets (Continued)

## 17B. Disclosures relating to investments (Continued)

A summary of the maturity dates of corporate bonds as at the end of reporting year is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Within 1 to 2 years | **993** | – | **993** | – |
| Within 2 to 3 years | **–** | 1,030 | **–** | 1,030 |
| After 3 years | **5,295** | 2,621 | **5,295** | 2,621 |
| | **6,288** | 3,651 | **6,288** | 3,651 |

Unquoted investments at cost:–

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Level** | **2015** | **2014** | **2015** | **2014** |
| | | **$'000** | **$'000** | **$'000** | **$'000** |
| Unquoted equity shares in Singapore | | | | | |
| Logistics industry | 3 | **2,176** | – | **–** | – |
| Unquoted equity shares in United States of America | | | | | |
| Information technology industry | 3 | **285** | – | **–** | – |
| Total unquoted investments at cost | | **2,461** | – | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 17. Other financial assets (Continued)

### 17C. Fair value measurements (level 2) recognised in the statement of financial position

Financial instruments traded in over-the-counter market include corporate bonds that are valued based on broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency.

***Sensitivity analysis for price risk:***

There are investments in corporate bonds or similar instruments. Such investments are exposed to market price risk arising from uncertainties about future values of the investment securities. Sensitivity analysis: The effect is as follows:

| | **Group and Company** | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| A hypothetical 10% increase in the market index of quoted corporate bonds would have an effect on pre-tax profit of | **52** | 52 |
| A hypothetical 10% increase in the over-the-counter price of unquoted corporate bonds would have an effect on pre-tax profit of | **577** | 313 |

For similar price decreases in the fair value of the above financial assets, there would be comparable impacts in the opposite direction.

The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

## 18. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Goods for resale | **37,662** | 34,480 | **37,597** | 34,458 |
| Inventories are stated after allowance. | | | | |
| Movements in allowance: | | | | |
| Balance at beginning of the year | **24** | 22 | **24** | 22 |
| (Reversed)/charged to profit or loss included in (other gains)/other losses (Note 7) | **(7)** | 2 | **(7)** | 2 |
| Balance at end of the year | **17** | 24 | **17** | 24 |
| The write-downs of inventories charged to profit or loss included in other losses (Note 7) | **68** | 61 | **68** | 41 |

There are no inventories pledged as security for liabilities.

In 2015, the reversal of the allowance is for goods with an estimated increase in net realisable value.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 19. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Trade receivables:** | | | | |
| Outside parties | **1,979** | 3,979 | **1,564** | 3,292 |
| Subsidiaries (Note 3) | **–** | – | **40** | 1,153 |
| Less allowance for impairment | **–** | – | **–** | (954) |
| Net trade receivables – subtotal | **1,979** | 3,979 | **1,604** | 3,491 |
| **Other receivables:** | | | | |
| Subsidiaries (Note 3) | **–** | – | **2,551** | 7,067 |
| Less allowance for impairment | **–** | – | **(1,230)** | (4,591) |
| Advance payments to suppliers | **3,100** | 1,240 | **2,953** | 1,240 |
| Other receivables | **701** | 485 | **677** | 39 |
| Net other receivables – subtotal | **3,801** | 1,725 | **4,951** | 3,755 |
| Total trade and other receivables | **5,780** | 5,704 | **6,555** | 7,246 |
| **Movements in above allowance:** | | | | |
| Balance at beginning of the year | **–** | – | **(5,545)** | (3,000) |
| Bad debts written off | **–** | – | **4,386** | – |
| Charged to profit or loss included under other losses | **–** | – | **(71)** | (2,545) |
| Balance at end of the year | **–** | – | **(1,230)** | (5,545) |

## 20. Other assets

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Deposits to secure services | **4,731** | 4,758 | **4,606** | 4,581 |
| Prepayments | **230** | 253 | **193** | 205 |
| | **4,961** | 5,011 | **4,799** | 4,786 |

## 21. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Not restricted in use | **41,653** | 52,621 | **33,430** | 44,297 |
| Interest earning balances | **11,570** | 17,094 | **11,570** | 17,094 |

The rates of interest for the cash on interest earning balances ranged between 0.30% and 1.65% (2014: 0.30% and 1.35%) per annum.

## 22. Share capital

| | Group and Company | |
|---|---|---|
| | **Number of shares issued** | **Share capital** |
| | **'000** | **$'000** |
| Ordinary shares of no par value: | | |
| Balance at 1 January 2014, 31 December 2014 and 31 December 2015 | 345,208 | 18,775 |

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

In order to maintain its listing on the Singapore Exchange it has to have share capital with a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 22. Share capital (Continued)

**Capital management:**

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

The group and the company do not have any external borrowings. The debt-to-adjusted capital ratio therefore does not provide a meaningful indicator of the risk of borrowings.

## 23. Other reserves

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Foreign currency translation reserve (Note 23A) | **(124)** | 251 | **–** | – |
| Available-for-sale financial assets reserve (Note 23B) | **(120)** | (2) | **(120)** | (2) |
| Total at the end of the year | **(244)** | 249 | **(120)** | (2) |

All the reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

# 23. Other reserves (Continued)

## 23A. Foreign currency translation reserve

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| At beginning of the year | **251** | 170 |
| Exchange differences on translating foreign operations | **(375)** | 81 |
| At end of the year | **(124)** | 251 |

The currency translation reserve accumulates all foreign exchange differences arising from the translation of financial statements of entities that are denominated in currencies other than the presentation currency of the consolidated financial statements.

## 23B. Available-for-sale financial assets reserve

| | Group and Company | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| At beginning of the year | **(2)** | (36) |
| Gains/(losses) on remeasuring available-for-sale financial assets | **(118)** | 34 |
| At end of the year | **(120)** | (2) |

The available-for-sale financial assets reserve arises from the annual remeasurement of the available-for-sale financial assets. It is not distributable until it is released to the profit or loss on the disposal of the investments.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 24. Provisions, non-current

Provision for dismantling and removing the items and restoring the outlet premises relating to property, plant and equipment:

| | Group and Company 2015 $'000 | Group and Company 2014 $'000 |
|---|---|---|
| Movement in above provision: | | |
| Balance at beginning of the year | **1,631** | 1,450 |
| Additions – included in property, plant and equipment | **373** | 298 |
| Used | **(112)** | (117) |
| Balance at end of the year | **1,892** | 1,631 |

The provision is based on the present value of costs to be incurred to remove leasehold improvements from leased outlets and properties. The estimate is based on quotations from external contractors. The unwinding of discount is not significant.

## 25. Other liabilities

| | Group 2015 $'000 | Group 2014 $'000 | Company 2015 $'000 | Company 2014 $'000 |
|---|---|---|---|---|
| Non-current: | | | | |
| Membership fees (Note 25A) | **992** | 1,203 | **992** | 1,203 |
| Star Shield warranty (Note 25B) | **1,813** | 2,154 | **–** | – |
| Total non-current other liabilities | **2,805** | 3,357 | **992** | 1,203 |
| Current: | | | | |
| Membership fees (Note 25A) | **3,310** | 3,614 | **3,310** | 3,614 |
| Star Shield warranty (Note 25B) | **1,769** | 1,377 | **–** | – |
| Customer loyalty programme (Note 25C) | **3,274** | 5,079 | **3,274** | 5,079 |
| Customer vouchers | **163** | 65 | **163** | 65 |
| Total current other liabilities | **8,516** | 10,135 | **6,747** | 8,758 |

# 25. Other liabilities (Continued)

## 25A. Membership fees

The group operates the ValueClub, the Challenger membership scheme, where membership fees are received from members at the start of the membership scheme for a period of 2 years.

| | Group and Company | |
|---|---|---|
| | **2015** | 2014 |
| | **$'000** | $'000 |
| Revenue deferred relating to membership fees: | | |
| Balance at beginning of the year | **4,817** | 4,671 |
| Revenue deferred in respect of membership fees received | **4,213** | 5,012 |
| Revenue recognised on a time-proportion basis | **(4,728)** | (4,866) |
| Balance at end of the year | **4,302** | 4,817 |
| Presented in the statements of financial position: | | |
| Non-current | **992** | 1,203 |
| Current | **3,310** | 3,614 |
| Total | **4,302** | 4,817 |

## 25B. Star shield warranty

The group operates the Star Shield Warranty Scheme, where extended warranties protection can be purchased from the group. The extended warranties may cover up to a period of 1, 2 or 3 years after expiry of the manufacturer's standard warranty period.

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **$'000** | $'000 |
| Revenue deferred relating to Star Shield Warranty: | | |
| Balance at beginning of the year | **3,531** | 2,866 |
| Revenue deferred in respect of cash received | **1,588** | 1,909 |
| Revenue recognised on a time-proportion basis | **(1,537)** | (1,244) |
| Balance at end of the year | **3,582** | 3,531 |
| Presented in the statements of financial position as: | | |
| Non-current | **1,813** | 2,154 |
| Current | **1,769** | 1,377 |
| Total | **3,582** | 3,531 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 25. Other liabilities (Continued)

### 25C. Customer loyalty programme

The group operates the ValueClub, the Challenger membership scheme, where every dollar spent on the purchase of the group's products entitles the member to earn one reward point. Reward points accumulated can be used to redeem specific products at specific retail locations, or cash vouchers issued by the group.

| | Group and Company | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Revenue deferred relating to customer loyalty programme: | | |
| Balance at beginning of the year | **5,079** | 6,031 |
| Revenue deferred in respect of award credits earned | **2,879** | 3,415 |
| Revenue recognised on discharge of obligations for award credits | **(4,684)** | (4,367) |
| Balance at end of the year | **3,274** | 5,079 |

## 26. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Trade payables: | | | | |
| Outside parties and accrued liabilities | **17,041** | 27,888 | **16,412** | 26,999 |
| Subsidiaries (Note 3) | **–** | – | **–** | 413 |
| Trade payables – subtotal | **17,041** | 27,888 | **16,412** | 27,412 |
| Other payables: | | | | |
| Subsidiaries (Note 3) | **–** | – | **102** | – |
| Advances paid | **998** | 758 | **152** | 6 |
| Deposits received | **286** | 1,147 | **286** | 1,147 |
| Other payables | **19** | 21 | **16** | 19 |
| Other payables – subtotal | **1,303** | 1,926 | **556** | 1,172 |
| Total trade and other payables | **18,344** | 29,814 | **16,968** | 28,584 |

## 27. Financial instruments: information on financial risks

### 27A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Financial assets: | | | | |
| Cash and cash equivalents | **41,653** | 52,621 | **33,430** | 44,297 |
| Loans and receivables | **5,780** | 5,704 | **6,555** | 7,246 |
| Available-for-sale financial assets | **8,749** | 3,651 | **6,288** | 3,651 |
| At end of the year | **56,182** | 61,976 | **46,273** | 55,194 |
| Financial liabilities: | | | | |
| Trade and other payables measured at amortised cost | **18,344** | 29,814 | **16,968** | 28,584 |
| At end of the year | **18,344** | 29,814 | **16,968** | 28,584 |

Further quantitative disclosures are included throughout these financial statements.

### 27B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk, foreign currency risk and market price risk comprising interest rate and currency risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.

2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.

3. All financial risk management activities are carried out and monitored by senior management staff.

# 27. Financial instruments: information on financial risks (Continued)

## 27B. Financial risk management (Continued)

4. All financial risk management activities are carried out following good market practices.

5. When appropriate consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

## 27C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

## 27D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents, receivables and certain other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with customers is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management.

Note 21 discloses the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 60 days (2014: 30 to 60 days). But some customers take a longer period to settle the amounts.

# 27. Financial instruments: information on financial risks (Continued)

## 27D. Credit risk on financial assets (Continued)

(a) Ageing analysis of the trade receivables amounts that are past due as at the end of the reporting year but not impaired:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 $'000** | **2014 $'000** | **2015 $'000** | **2014 $'000** |
| Trade receivables: | | | | |
| 61 to 90 days | **155** | 56 | **23** | 28 |
| Over 90 days | **18** | 93 | **18** | 97 |
| Total | **173** | 149 | **41** | 125 |

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 $'000** | **2014 $'000** | **2015 $'000** | **2014 $'000** |
| Trade receivables: | | | | |
| Over 90 days | – | – | – | 954 |

Other receivables are normally with no fixed terms and therefore there is no maturity.

Concentration of trade receivable customers as at the end of the reporting year:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 $'000** | **2014 $'000** | **2015 $'000** | **2014 $'000** |
| Top 1 customer | **124** | 193 | **124** | 158 |
| Top 2 customers | **236** | 369 | **170** | 294 |
| Top 3 customers | **340** | 506 | **208** | 355 |

Available-for-sale financial assets: these were investments in unquoted equity shares with no fixed maturity and corporate bonds with maturity dates. The summary of the maturity dates for corporate bonds are disclosed in Note 17 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 27. Financial instruments: information on financial risks (Continued)

### 27E. Liquidity risk – financial liabilities maturity analysis

There are no liabilities contracted to fall due after twelve months at the end of the reporting year. The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 30 days (2014: 30 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

| | Group | | Company | |
|---|---|---|---|---|
| **Bank facilities:** | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Undrawn borrowing facilities | **57,044** | 57,149 | **56,944** | 57,049 |
| Unused bank guarantees | **8,764** | 9,919 | **8,514** | 9,669 |

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations.

### 27F. Interest rate risk

The interest rate risk exposure is from changes in fixed rate and floating interest rates and it mainly concerns financial liabilities which are both fixed rate and floating rate. The interest from financial assets including cash balances and corporate bonds are not significant.

Sensitivity analysis: The effect on pre-tax profit is not significant.

# 27. Financial instruments: information on financial risks (Continued)

## 27G. Foreign currency risks

Analysis of amounts denominated in major non-functional currencies:

| Group | Chinese Renminbi $'000 | Hong Kong Dollar $'000 | United States Dollar $'000 | Total $'000 |
|---|---|---|---|---|
| 2015: | | | | |
| Financial assets: | | | | |
| Cash | **79** | **347** | **110** | **536** |
| Other financial assets | **–** | **–** | **285** | **285** |
| At end of the year | **79** | **347** | **395** | **821** |
| Net financial assets at end of the year | **79** | **347** | **395** | **821** |
| 2014: | | | | |
| Financial assets: | | | | |
| Cash | 21 | 634 | 219 | 874 |
| Loans and receivables | – | – | 70 | 70 |
| At end of the year | 21 | 634 | 289 | 944 |
| Net financial assets at end of the year | 21 | 634 | 289 | 944 |

| Company | Chinese Renminbi $'000 | Hong Kong Dollar $'000 | United States Dollar $'000 | Total $'000 |
|---|---|---|---|---|
| 2015: | | | | |
| Financial assets: | | | | |
| Cash | **22** | **–** | **103** | **125** |
| Loans and receivables | **–** | **1,322** | **–** | **1,322** |
| At end of the year | **22** | **1,322** | **103** | **1,447** |
| Net financial assets at end of the year | **22** | **1,322** | **103** | **1,447** |
| 2014: | | | | |
| Financial assets: | | | | |
| Cash | 21 | – | 161 | 182 |
| Loans and receivables | – | 2,272 | – | 2,272 |
| At end of the year | 21 | 2,272 | 161 | 2,454 |
| Net financial assets at end of the year | 21 | 2,272 | 161 | 2,454 |

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis: The effect on pre-tax profit is not significant.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 27. Financial instruments: information on financial risks (Continued)

### 27H. Equity price risk

There are investments in corporate bonds and unquoted equity shares. As a result, such investments are exposed to market price risk arising from uncertainties about future values of the investment securities. The fair values of these assets and sensitivity analysis are disclosed in Note 17.

## 28. Operating lease payment commitments – as lessee

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Not later than one year | **13,946** | 15,483 | **13,797** | 15,410 |
| Later than one year and not later than five years | **8,640** | 16,774 | **8,424** | 16,768 |
| Rental expense for the year (Note 9) | **16,928** | 17,445 | **16,714** | 15,517 |

Operating lease payments represent rentals payable by the group and company for its retail outlets and office premises. The lease rental terms are negotiated for an average of one to three years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

## 29. Operating lease income commitments – as lessor

At the end of the reporting year the total of future minimum lease receivables committed under non-cancellable operating leases are as follows:

| | Group and Company | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Not later than one year | **233** | 309 |
| Rental income for the year (Note 5) | **1,447** | 1,226 |

Operating lease income is for rental receivable from product and branding display at certain retail outlets. The lease to the tenant is on a yearly basis.

## 30. Contingent liabilities

| | Company | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Corporate guarantee given to bank in favour of a subsidiary | **350** | 350 |
| Undertaking to support subsidiaries with deficits | **1,231** | 5,787 |

## 31. Events after the end of the reporting year

On 5 January 2016, a subsidiary, Challenge Ventures Pte. Ltd. incorporated Hachi.sg Pte. Ltd. as a wholly-owned subsidiary. The principal business of the subsidiary is online sale of computer hardware, software and accessories.

On 7 January 2016, a subsidiary, Challenge Ventures Pte. Ltd. completed the third and final completion of investment in Andios Pte. Ltd.. A total of 50,000,000 ordinary shares have been issued with Challenge Ventures Pte. Ltd. having subscribed for 34,000,000 shares and the remaining 16,000,000 shares were subscribed by 2 individual third party shareholders. The equity interest held by Challenge Ventures Pte. Ltd. in Andios Pte. Ltd. increased from 66.34% to 66.89% upon the completion of issuance of the new ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

## 32. Changes and adoption of financial reporting standards

For the current reporting year new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

| FRS No. | Title |
|---|---|
| FRS 1 | Amendments to FRS 1: Disclosure Initiative (early application) |
| Various | Improvements to FRSs (Issued in January 2014). Relating to |
| | FRS 102 Share-based Payment |
| | FRS 103 Business Combinations |
| | FRS 108 Operating Segments |
| | FRS 113 Fair Value Measurement |
| | FRS 16 Property, Plant and Equipment |
| | FRS 24 Related Party Disclosures |
| Various | Improvements to FRSs (Issued in February 2014). Relating to |
| | FRS 103 Business Combinations |
| | FRS 113 Fair Value Measurement |

## 33. New or amended standards in issue but not yet effective

For the future reporting years new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

| **FRS No.** | **Title** | **Effective date for periods beginning on or after** |
|---|---|---|
| FRS 1 | Amendments to FRS 1: Disclosure Initiative | 1 Jan 2016 |
| FRS 16 & 38 | Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 Jan 2016 |
| FRS 27 | Amendments to FRS 27: Equity Method in Separate Financial Statements | 1 Jan 2016 |
| Various | Improvements to FRSs (Issued in November 2014)<br>FRS 107 Financial Instruments: Disclosures – Servicing contracts<br>FRS 34 Interim Financial Reporting – Disclosure of information elsewhere in the interim financial report | 1 Jan 2016 |
| FRS 115 | Revenue from Contracts with Customers | 1 Jan 2018 |
| FRS 109 | Financial Instruments | 1 Jan 2018 |

# STATISTICS OF SHAREHOLDINGS

AS AT 14 MARCH 2016

## Distribution of Shareholdings

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 – 99 | 78 | 8.50 | 2,148 | 0.00 |
| 100 – 1,000 | 63 | 6.87 | 46,560 | 0.01 |
| 1,001 – 10,000 | 319 | 34.79 | 1,483,852 | 0.43 |
| 10,001 – 1,000,000 | 434 | 47.33 | 32,159,771 | 9.32 |
| 1,000,001 and above | 23 | 2.51 | 311,515,630 | 90.24 |
| **Total** | **917** | **100.00** | **345,207,961** | **100.00** |

## Twenty Largest Shareholders

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | Loo Leong Thye | 148,324,250 | 42.97 |
| 2 | Ng Leong Hai | 83,067,500 | 24.06 |
| 3 | Ong Sock Hwee | 33,494,950 | 9.70 |
| 4 | Db Nominees (Singapore) Pte Ltd | 9,209,000 | 2.67 |
| 5 | Lim Yew Hoe | 5,377,950 | 1.56 |
| 6 | Loo Pei Fen (Lu Peifen) | 3,992,500 | 1.16 |
| 7 | Dbs Nominees (Private) Limited | 3,120,057 | 0.90 |
| 8 | Wang Tong Peng @Wang Tong Pang | 3,000,099 | 0.87 |
| 9 | Citibank Nominees Singapore Pte Ltd | 1,944,370 | 0.56 |
| 10 | United Overseas Bank Nominees (Private) Limited | 1,877,286 | 0.54 |
| 11 | Tan Wee Ko | 1,788,000 | 0.52 |
| 12 | Ng Hian Hai Or Cheo Chye Eng | 1,700,000 | 0.49 |
| 13 | Law Kim Hong Rosalind | 1,624,999 | 0.47 |
| 14 | Lau Chee Peng | 1,468,070 | 0.43 |
| 15 | Loh Tee Yang | 1,459,499 | 0.42 |
| 16 | Raffles Nominees (Pte) Limited | 1,397,600 | 0.40 |
| 17 | Ng Kwong Chong Or Liu Oi Fui Ivy | 1,387,000 | 0.40 |
| 18 | Hong Leong Finance Nominees Pte Ltd | 1,328,500 | 0.38 |
| 19 | Wong Tong Liew | 1,300,000 | 0.38 |
| 20 | Kelly Ronan Philip | 1,299,000 | 0.38 |
| | **Total** | **308,160,630** | **89.26** |

# STATISTICS OF SHAREHOLDINGS

AS AT 14 MARCH 2016

## Substantial Shareholders

| | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| **Name of shareholders** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Loo Leong Thye | 148,324,250 | 42.97% | 38,126,300 | 11.04%* |
| Ng Leong Hai | 83,067,500 | 24.06% | – | – |
| Ong Sock Hwee | 33,494,950 | 9.70% | – | – |

* Mr Loo Leong Thye is deemed to be interested in the 4,631,350 shares held by his daughter and son, and 33,494,950 shares held by his wife, Madam Ong Sock Hwee.

## Percentage of Shareholdings in Public Hands

Based on the information available to the Company as at 14 March 2016, approximately 21.01% of the issued ordinary shares of the Company is held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited.

# NOTICE OF ANNUAL GENERAL MEETING

**CHALLENGER TECHNOLOGIES LIMITED**
(Incorporated in the Republic of Singapore)
Company Registration No: 198400182K

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of CHALLENGER TECHNOLOGIES LIMITED will be held at 1 Ubi Link, Challenger TecHub, Singapore 408553 on Thursday, 28 April 2016 at 10.00 a.m. for the following purposes:–

**AS ORDINARY BUSINESS:–**

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2015 together with the report of the Auditors and the Statement by Directors. **(Resolution 1)**

2. To declare a final tax exempt (one-tier) dividend of 1.55 cent per ordinary share for the financial year ended 31 December 2015. **(Resolution 2)**

3. To re-elect the following directors retiring pursuant to Article 107 of the Company's Articles of Association:

   (a) Mr Max Ng Chee Weng **(Resolution 3)**
   (b) Mr Tan Han Beng **(Resolution 4)**

   [See Explanatory Note (1)]

4. To approve the payment of Directors' fees of S$106,000 for the financial year ending 31 December 2016, to be paid quarterly in arrears. **(Resolution 5)**

5. To re-appoint RSM Chio Lim LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS:–**

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:–

7. That pursuant to Section 161 of the Companies Act, Chapter 50, and the Listing Manual of the SGX-ST, authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities or exercise of any share option or vesting of any share award outstanding or subsisting from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities which may be issued pursuant to such authority shall not exceed fifty per cent (50%) of the issued share capital of the Company, of which the aggregate number of shares and convertible securities which may be issued other than on a *pro-rata* basis to the existing Shareholders of the Company shall not exceed twenty per cent (20%) of the issued share capital of the Company (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company's next Annual General Meeting, or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

   [See Explanatory Note (2)] **(Resolution 7)**

BY ORDER OF THE BOARD

CHIA FOON YEOW
Company Secretary
Singapore
13 April 2016

# NOTICE OF ANNUAL GENERAL MEETING

**EXPLANATORY NOTES:**

(1) Mr Max Ng Chee Weng will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, Chairman of the Nominating Committee and Chairman of the Remuneration Committee, and the Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Mr Tan Han Beng will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee, and a member of the Nominating Committee and the Remuneration Committee, and the Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(2) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier, to allot and issue shares and convertible securities in the Company up to an amount not exceeding in total fifty per cent (50%) of the total number of issued shares excluding treasury shares of the Company for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a *pro-rata* basis to existing shareholders pursuant to this Resolution shall not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares of the Company. The percentage of the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time the proposed Ordinary Resolution is passed after adjusting for (a) new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of awards outstanding or subsisting at the time the proposed Ordinary Resolution is passed and (b) any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless previously revoked or varied at a General Meeting, expire at the next Annual General Meeting of the Company.

**NOTES:**

(i) A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where such member's proxy form appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.

(ii) A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

(iii) "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50).

(iv) A proxy need not be a member of the Company.

(v) If the member is a corporation, the instrument appointing the proxy must be under its common seal or the hand of its attorney or a duly authorised officer.

(vi) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 1 Ubi Link, Challenger TecHub, Singapore 408553 not less than forty-eight (48) hours before the time fixed for holding the above Meeting in order for the proxy to be entitled to attend and vote at the above Meeting.

(vii) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited seventy-two (72) hours before the time fixed for holding the above Meeting in order for the Depositor to be entitled to attend and vote at the above Meeting.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the above Meeting of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the above Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the above Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**CHALLENGER TECHNOLOGIES LIMITED**
(Incorporated in the Republic of Singapore)
Company Registration No: 198400182K

# PROXY FORM
## ANNUAL GENERAL MEETING

**IMPORTANT:**
1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. The Proxy Form is, therefore, not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ____________________________________________ (Name)

of ____________________________________________ (Address)
being a member/members of CHALLENGER TECHNOLOGIES LIMITED (the "Company") hereby appoint:

| Name | Address | NRIC/ Passport No. | Proportion of Shareholdings | | Class of Shares |
|---|---|---|---|---|---|
| | | | No. of Shares | % | |
| | | | | | |

and/or (delete as appropriate)

| Name | Address | NRIC/ Passport No. | Proportion of Shareholdings | | Class of Shares |
|---|---|---|---|---|---|
| | | | No. of Shares | % | |
| | | | | | |

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be held on Thursday, 28 April 2016 at 10.00 a.m, and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/their discretion.

| No. | Resolutions relating to: | No. of votes For* | No. of votes Against* |
|---|---|---|---|
| | ***Ordinary Business*** | | |
| 1 | Adoption of the Audited Financial Statements for the financial year ended 31 December 2015 together with the report of the Auditors and Statement by Directors. | | |
| 2 | Payment of proposed final tax exempt (one-tier) dividend of 1.55 cent per ordinary share for the financial year ended 31 December 2015. | | |
| 3 | Re-election of Mr Max Ng Chee Weng as a Director. | | |
| 4 | Re-election of Mr Tan Han Beng as a Director. | | |
| 5 | Approval of Directors' fees amounting to S$106,000 for the financial year ending 31 December 2016 to be paid quarterly in arrears. | | |
| 6 | Re-appointment of RSM Chio Lim LLP as Auditors and to fix their remuneration. | | |
| | ***Special Business*** | | |
| 7 | Authority to allot and issue new shares or convertible securities pursuant to Section 161 of the Companies Act, Cap. 50, and the Listing Manual of the Singapore Exchange Securities Trading Limited. | | |

* Please indicate your vote "For" or "Against" with a tick (√) within the box provided.

Dated this ________ day of ______________, 2016.

| Total number of shares held in: | |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________
Signature(s) of Member(s) or Common Seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes**

1. A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where such member's proxy form appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.

2. A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50).

4. A proxy need not be a member of the Company.

5. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289, you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.

6. This proxy form must be deposited at the Company's registered office at 1 Ubi Link, Challenger TecHub, Singapore 408553 not less than forty-eight (48) hours before the time set for the Meeting.

7. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

8. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

Affix
Postage
Stamp

**The Company Secretary**
Challenger Technologies Limited
1 Ubi Link
Challenger TecHub
Singapore 408553

**General**

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Privacy**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2016.

This page has been intentionally left blank

This page has been intentionally left blank hachi.tech

CHALLENGER TECHNOLOGIES LIMITED
Company Registration Number: 198400182K