

**Challenger
Technologies
Limited**



**SECOND QUARTER UNAUDITED FINANCIAL STATEMENT
FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2014**

Co Reg No: 198400182 K

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

- 1(a) A consolidated statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Statement of Comprehensive Income

	Group					
	3 months ended		Change	6 months ended		Change
	30.06.2014	30.06.2013		30.06.2014	30.06.2013	
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	82,565	92,184	(10)	167,972	192,917	(13)
Other Items of Income						
Interest Income	74	68	9	166	151	10
Other Credits [note (A)]	2	7	(71)	332	49	578
Other Items of Expense						
Changes in Inventories of Finished Goods	(4,395)	4,462	(198)	(4,423)	2,774	(259)
Purchase of Goods and Consumables	(60,811)	(79,063)	(23)	(127,670)	(160,975)	(21)
Other Consumables Used	(234)	(146)	60	(784)	(257)	205
Depreciation Expense	(994)	(954)	4	(2,050)	(1,883)	9
Employee Benefits Expense	(5,850)	(6,104)	(4)	(11,793)	(11,444)	3
Other Expenses [Note (B)]	(6,417)	(5,552)	16	(13,252)	(10,682)	24
Other Charges [Note (A)]	(364)	(34)	971	(707)	(213)	232
Profit Before Tax from Continuing Operations	3,576	4,868	(27)	7,791	10,437	(25)
Income Tax Expense	(627)	(843)	(26)	(1,458)	(1,764)	(17)
Profit from Continuing Operations, Net of Tax	2,949	4,025	(27)	6,333	8,673	(27)
Other Comprehensive Income (Loss):						
Items that May Be Reclassified Subsequently to Profit or Loss:						
Exchange Differences on Translating Foreign Operations, Net of tax	(39)	21	(286)	(50)	13	(485)
Other Comprehensive (Loss) Income for the Period, Net of Tax	(39)	21	(286)	(50)	13	(485)
Total Comprehensive Income	2,910	4,046	(28)	6,283	8,686	(28)
Profit Attributable to Owners of the Parent, Net of Tax	2,907	3,958	(27)	6,209	8,533	(27)
Profit Attributable to Non-Controlling Interests, Net of Tax	42	67	(37)	124	140	(11)
	2,949	4,025	(27)	6,333	8,673	(27)
Total Comprehensive Income Attributable to Owners of the Parent	2,868	3,979	(28)	6,159	8,546	(28)
Total Comprehensive Income Attributable to Non-Controlling Interests	42	67	(37)	124	140	(11)
Total Comprehensive Income	2,910	4,046	(28)	6,283	8,686	(28)
Note:						
Profit before income tax is arrived after (charging)/ crediting the followings:						
Note (A) - Other (Charges) / Credits						
Foreign exchange adjustment (loss) / gain	(8)	(8)	-	(11)	24	(146)
Sundry income	2	7	(71)	332	25	1,228
Loss on disposal of plant and equipment	(349)	-	N.M.	(685)	(184)	272
Inventories written off	(7)	(26)	(73)	(11)	(29)	(62)
	(362)	(27)	1,241	(375)	(164)	129
Presented in profit or loss as:						
Other Credits	2	7	(71)	332	49	578
Other Charges	(364)	(34)	971	(707)	(213)	232
	(362)	(27)	1,241	(375)	(164)	129
Note (B) - Other Expenses						
Rental expenses	(4,509)	(3,295)	37	(8,916)	(6,545)	36
Other operating expenses	(851)	(1,151)	(26)	(2,336)	(1,951)	20
Selling and distribution costs	(1,057)	(1,106)	(4)	(2,000)	(2,186)	(9)
	(6,417)	(5,552)	16	(13,252)	(10,682)	24

N.M. = not meaningful

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

- 1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Statement of Financial Position

	Group		Company	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	\$'000	\$'000	\$'000	\$'000
ASSETS				
<u>Non-Current Assets</u>				
Investment in Associate	-	-	-	-
Investments in Subsidiaries	-	-	3,619	3,619
Other Financial Assets	3,880	3,880	3,880	3,880
Property, Plant and Equipment	13,139	12,966	12,025	12,092
Total Non-Current Assets	17,019	16,846	19,524	19,591
<u>Current Assets</u>				
Cash and Cash Equivalents	40,245	42,946	31,622	35,678
Trade and Other Receivables	6,881	8,356	11,899	10,859
Other Assets	5,423	6,519	4,474	5,881
Inventories	30,729	35,275	29,895	33,293
Total Current Assets	83,278	93,096	77,890	85,711
Total Assets	100,297	109,942	97,414	105,302
<u>EQUITY AND LIABILITIES</u>				
<u>Equity attributable to Owners of the Parent</u>				
Share Capital	18,775	18,775	18,775	18,775
Retained Earnings	42,522	41,215	45,389	42,202
Other Reserves	84	134	(36)	(36)
Equity, Attributable to Owners of the Parent	61,381	60,124	64,128	60,941
Non-Controlling Interests	453	509	-	-
Total Equity	61,834	60,633	64,128	60,941
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	45	75	22	22
Provisions	1,552	1,450	1,483	1,450
Other Liabilities, Non-Current	2,933	2,777	1,723	1,140
Total Non-Current Liabilities	4,530	4,302	3,228	2,612
<u>Current Liabilities</u>				
Trade and Other Payables	19,732	30,615	17,953	28,669
Income Tax Payable	3,152	3,528	3,122	3,486
Other Liabilities, Current	11,049	10,864	8,983	9,594
Total Current Liabilities	33,933	45,007	30,058	41,749
Total Liabilities	38,463	49,309	33,286	44,361
Total Equity and Liabilities	100,297	109,942	97,414	105,302

- 1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

Nil.

Amount repayable after one year

Nil.

Details of any collateral

Nil.

- 1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Statement of Cash Flows

	3 months ended		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	\$'000	\$'000	\$'000	\$'000
Cash Flows From Operating Activities				
Profit Before Tax	3,576	4,868	7,791	10,437
Adjustments for:				
Depreciation Expense of Property, Plant and Equipment	994	954	2,050	1,883
Loss on Disposal of Plant and Equipment	349	-	685	184
Interest Income	(74)	(68)	(166)	(151)
Operating Cash Flows Before Working Capital Changes	4,845	5,754	10,360	12,353
Trade and Other Receivables	761	3,060	1,475	(2,076)
Other Assets	113	(376)	1,096	(1,043)
Inventories	4,345	(4,450)	4,546	(2,750)
Trade and Other Payables	827	(770)	(10,883)	2,725
Provisions	(5)	65	102	5
Other Liabilities	(64)	604	341	1,044
Net Cash Flows From Operations	10,822	3,887	7,037	10,258
Income Taxes Paid	(1,877)	(1,751)	(1,864)	(1,752)
Net Cash Flows From Operating Activities	8,945	2,136	5,173	8,506
Cash Flows From Investing Activities				
Interest Received	74	68	166	151
Investment in quoted shares	-	-	-	(4,702)
Proceeds from Disposal of Plant and Equipment	140	-	200	-
Purchase of Plant and Equipment	(838)	(1,121)	(3,108)	(1,726)
Net Cash Flows Used in Investing Activities	(624)	(1,053)	(2,742)	(6,277)
Cash Flows From Financing Activities				
Dividends Paid to Equity Owners	(4,902)	(4,315)	(4,902)	(4,315)
Dividends Paid to Non-Controlling Interests	(180)	(90)	(180)	(90)
Net Cash Flows Used in Financing Activities	(5,082)	(4,405)	(5,082)	(4,405)
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	(39)	21	(50)	13
Net Increase / (Decrease) in Cash and Cash Equivalents	3,200	(3,301)	(2,701)	(2,163)
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Beginning Balance	37,045	43,232	42,946	42,094
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Ending Balance	40,245	39,931	40,245	39,931

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Changes in Equity

	Attributable to Equity Holder of the Company					
	Total Equity \$'000	Attributable to Parent sub-total \$'000	Share Capital \$'000	Retained Earnings \$'000	Other Reserves \$'000	Non-controlling Interests \$'000
Group						
Current Period:						
Opening Balance at 1 January 2014	60,633	60,124	18,775	41,215	134	509
Movements in Equity:						
Total Comprehensive Income for the Period	3,373	3,291	-	3,302	(11)	82
Closing Balance at 31 March 2014	64,006	63,415	18,775	44,517	123	591
Total Comprehensive Income for the Period	2,910	2,868	-	2,907	(39)	42
Dividends paid	(5,082)	(4,902)	-	(4,902)	-	(180)
Closing Balance at 30 June 2014	61,834	61,381	18,775	42,522	84	453
Previous Period:						
Opening Balance at 1 January 2013	51,426	51,055	18,775	32,216	64	371
Movements in Equity:						
Total Comprehensive Income for the Period	4,640	4,567	-	4,575	(8)	73
Closing Balance at 31 March 2013	56,066	55,622	18,775	36,791	56	444
Total Comprehensive Income for the Period	4,046	3,979	-	3,958	21	67
Dividends paid	(4,405)	(4,315)	-	(4,315)	-	(90)
Closing Balance at 30 June 2013	55,707	55,286	18,775	36,434	77	421
Company						
Current Period:						
Opening Balance at 1 January 2014	60,941	60,941	18,775	42,202	(36)	-
Movements in Equity:						
Total Comprehensive Income for the Period	4,725	4,725	-	4,725	-	-
Closing Balance at 31 March 2014	65,666	65,666	18,775	46,927	(36)	-
Total Comprehensive Income for the Period	3,364	3,364	-	3,364	-	-
Dividends paid	(4,902)	(4,902)	-	(4,902)	-	-
Closing Balance at 30 June 2014	64,128	64,128	18,775	45,389	(36)	-
Previous Period:						
Opening Balance at 1 January 2013	54,366	54,366	18,775	35,591	-	-
Movements in Equity:						
Total Comprehensive Income for the Period	4,813	4,813	-	4,813	-	-
Closing Balance at 31 March 2013	59,179	59,179	18,775	40,404	-	-
Total Comprehensive Income for the Period	4,489	4,489	-	4,489	-	-
Dividends paid	(4,315)	(4,315)	-	(4,315)	-	-
Closing Balance at 30 June 2013	59,353	59,353	18,775	40,578	-	-

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-back, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

There were no changes in the share capital of the Company in the second quarter of 2014. As at 30 June 2014, the Company's issued and paid up capital comprises 345,207,961 (31 December 2013: 345,207,961) ordinary shares and \$18,775,054 (31 December 2013: \$18,775,054) respectively.

There were no outstanding convertibles issued or treasury shares held by the Company as at 30 June 2014 and 30 June 2013.

- 1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	30.06.2014	31.12.2013
Total number of issued shares (excluding treasury shares)	345,207,961	345,207,961

- 1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2 Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been audited nor reviewed by the Group auditors.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014**4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period, which are consistent with those described in the Audited Financial Statements for the year ended 31 December 2013, except for the adoption of the new and revised Financial Reporting Standards, including its consequential amendment and interpretations ("FRS") which became effective for financial years beginning on or after 1 January 2014, if any.

The adoption of the new and revised FRS does not have any material impact to the financial statements for the Group and Company for the period ended 30 June 2014.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	3 months ended		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	cents	cents	cents	cents
<u>Group</u>				
Earnings per share based on consolidated profit after taxation and non-controlling interests				
- on weighted average number of shares	0.84	1.15	1.80	2.47
- on a fully diluted basis	0.84	1.15	1.80	2.47

Earnings per ordinary share is computed based on the weighted average number of 345,207,961 issued shares.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	cents	cents	cents	cents
Net asset value per share based on existing issued share capital as at the end of the respective period	17.78	17.42	18.58	17.65

The net asset value per ordinary share of the Group and the Company as at 30 June 2014 is computed based on the total number of issued shares of 345,207,961.

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

Revenue

The Group achieved revenue of \$82.6 M for the three months ended 30 June 2014 ("2Q2014"), a decrease of 10.4% or \$9.6 M compared to the revenue of \$92.2 M for the three months ended 30 June 2013 ("2Q2013"). The decrease in revenue is mainly due to weaker contribution from our IT products and services in Singapore and Malaysia.

Revenue from the IT products and services business segment decreased 10.8% to \$80.9 M in 2Q2014, from \$90.7 M in 2Q2013 mainly due to lower corporate sales in Singapore and closure of retail operations in Malaysia. This was partially offset by an increase in revenue from our retail operations in Singapore, which was largely contributed by revenue from full operations of stores opened during the second half of 2013.

Revenue from the electronic signage services business segment increased to \$0.4 M in 2Q2014 from \$0.1 M in 2Q2013 due to completion of projects in 2Q2014 compared to 2Q2013.

Revenue from the marketing call centre slightly down by 9.0% to \$1.3 M in 2Q2014 as lesser projects on event management were secured in 2Q2014 compared to 2Q2013.

Profit after taxation ("PAT")

The Group registered a lower PAT of \$2.9 M in 2Q2014, as compared to \$4.0 M in 2Q2013.

The decrease in PAT of \$1.1 M was mainly due to the following:

- a) Overall gross profit decreased by about \$0.3 M due to weaker sales and closure of retail operations in Malaysia;
- b) higher expense of about \$0.3 M arising from the closure of superstores in Malaysia in 2Q2014; and
- c) increase in rental expenses by \$1.4 M due to increased number of stores compared to same period last year.

The above items have been offset by:

- d) lower employee benefits expenses of \$0.3 M mainly due to lower sales achieved and decreased provision for incentive and closure of retail operations in Malaysia;
- e) decreased in other operating expenses by about \$0.4 M; and
- f) lower income tax provision of \$0.2 M.

Working capital, assets and liabilities

For the second quarter ended 30 June 2014, the Group has cash of approximately \$40.2 M.

The Group recorded an operating cash inflow of about \$8.9 M in 2Q2014. This has resulted mainly from the following:

- a) operating profit derived for 2Q2014 of \$4.8 M;
- b) decrease of trade, other receivables and other assets of \$0.9 M;
- c) decrease in inventory of \$4.3 M;
- d) increase of trade, other payables and accrued liabilities of \$0.8 M and
- e) income tax paid of \$1.9 M.

The net cash outflow for investing activities was mainly due to acquisitions of equipment and renovations of about \$0.7 M for our retail stores after netting off proceed received from disposal of plant and equipment. In addition, the Group received interests from fixed deposits and bonds of \$0.1 M while a net cash outflow of \$5.1 M was used to pay as dividend to shareholders and non-controlling interests. Consequently, cash and cash equivalents increased by about \$3.2 M for the period ended 30 June 2014.

Other than the above, no significant difference was noted for other working capital, assets and liabilities.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No specific forecast was previously provided.

10 A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

a. IT products and services

As of 30 June 2014, we have ceased all our retail operations in Malaysia. While painful, the decision to cease was made as we viewed that our market position may continue to decline with the increasing competition and costs of doing business in Malaysia. The Malaysian retail operations incurred a loss of S\$1.4m for the six months, ended June 30 2014 and we do not expect to incur further significant losses from the Malaysia retail operations in the second half of 2014.

The Group will continue to focus on growing our core IT lifestyle business in Singapore. We anticipate the operating environment in the retail sector to remain challenging due to labour shortages, rising costs of workforce and rental hikes. Relevant control measures have also been taken to manage operating expenses. Despite the soft economy, the Management believes in adopting a balanced approach to our store expansion strategy to ensure agility in optimizing opportunities. Currently, the Group has a total retail network of 44 stores, spread across Singapore. We will open two new stores located at Eastpoint Mall and Seletar Mall in the fourth quarter of 2014 and will continue to monitor the returns of each outlet and manage accordingly.

b. Electronic signage services

We are working with a few strategic partners to secure projects in the area of commercial lighting projects and electronic signboard, continuing our effort to grow our business in this market segment. We expect to complete some projects in 3Q2014.

11 Dividend

(a) Current Financial Period Reported On

The directors recommend an interim dividend to be paid for the period ended 30.6.2014 as follows:

Name of Dividend: Interim exempt (one-tier) dividend
Dividend type: Cash
Dividend amount per share (in cents): 1.10
Tax rate: Tax-exempt one-tier

(b) Corresponding Period of the Immediately Preceding Financial Year

Interim dividend for the period ended 30.06.2013 paid on 05.09.2013 as noted below.

Name of Dividend: Interim exempt (one-tier) dividend
Dividend type: Cash
Dividend amount per share (in cents): 1.10
Tax rate: Tax-exempt one-tier

(c) Date Payable

29 August 2014.

(d) Books Closure Date

Notice is hereby given that the Share Transfer Books and Register of Members will be closed on 19 August 2014 for the purpose of determining members' entitlements to the tax-exempt one-tier interim dividend of 1.10 cents. Duly completed registerable transfers in respect of the shares in the Company received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, by the close of business at 5.00 pm on 18 August 2014 will be registered to determine the members' entitlements to such dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 pm on 18 August 2014 will be entitled to such dividend.

12 If no dividend has been declared/recommended, a statement to that effect

Not applicable.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There is no IPT mandate obtained.

14 CONFIRMATION BY THE BOARD

On behalf of the Board of Directors of the Company, Loo Leong Thye and Tan Wee Ko being two directors of the Company, do hereby confirm to the best of our knowledge, that nothing has come to the attention of the Board of Directors of the Company which may render the financial statement for the first quarter ended 30 June 2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors

LOO LEONG THYE
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

TAN WEE KO
EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

BY ORDER OF THE BOARD

LOO LEONG THYE
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER
DATE: 7 August 2014