

**Challenger
Technologies
Limited**



**THIRD QUARTER UNAUDITED FINANCIAL STATEMENT
FOR THE FINANCIAL PERIOD ENDED
30 SEPTEMBER 2014**

Co Reg No: 198400182 K

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	9 months ended		Change
	30.09.2014 \$'000	30.09.2013 \$'000	%	30.09.2014 \$'000	30.09.2013 \$'000	%
Revenue	82,511	98,373	(16)	250,483	291,290	(14)
Other Items of Income						
Interest Income	106	88	20	272	239	14
Other Credits [note (A)]	64	39	64	341	61	459
Other Items of Expense						
Changes in Inventories of Finished Goods	41	(3,169)	(101)	(4,382)	(395)	1,009
Purchase of Goods and Consumables	(64,436)	(77,358)	(17)	(192,106)	(238,333)	(19)
Other Consumables Used	(154)	(149)	3	(938)	(406)	131
Depreciation Expense	(1,025)	(1,069)	(4)	(3,075)	(2,952)	4
Employee Benefits Expense	(6,063)	(6,049)	0	(17,856)	(17,493)	2
Other Expenses [Note (B)]	(6,585)	(5,598)	18	(19,837)	(16,280)	22
Other Charges [Note (A)]	(9)	(282)	(97)	(661)	(468)	41
Profit Before Tax from Continuing Operations	<u>4,450</u>	<u>4,826</u>	(8)	<u>12,241</u>	<u>15,263</u>	(20)
Income Tax Expense	(763)	(751)	2	(2,221)	(2,515)	(12)
Profit from Continuing Operations, Net of Tax	<u><u>3,687</u></u>	<u><u>4,075</u></u>	(10)	<u><u>10,020</u></u>	<u><u>12,748</u></u>	(21)
Other Comprehensive Income (Loss):						
Items that May Be Reclassified Subsequently to Profit or Loss:						
Exchange Differences on Translating Foreign Operations, Net of tax	8	90	(91)	(42)	103	(141)
Gain on Available-for-sale Financial Assets, Reclassified from Equity to Profit or Loss as a Reclassification Adjustment	6	-	N.M.	6	-	N.M.
Other Comprehensive (Loss) Income for the Period, Net of Tax	<u>14</u>	<u>90</u>	(84)	<u>(36)</u>	<u>103</u>	(135)
Total Comprehensive Income	<u><u>3,701</u></u>	<u><u>4,165</u></u>	(11)	<u><u>9,984</u></u>	<u><u>12,851</u></u>	(22)
Profit Attributable to Owners of the Parent, Net of Tax	3,619	4,024	(10)	9,828	12,557	(22)
Profit Attributable to Non-Controlling Interests, Net of Tax	<u>68</u>	<u>51</u>	33	<u>192</u>	<u>191</u>	1
	<u><u>3,687</u></u>	<u><u>4,075</u></u>	(10)	<u><u>10,020</u></u>	<u><u>12,748</u></u>	(21)
Total Comprehensive Income Attributable to Owners of the Parent	3,633	4,114	(12)	9,792	12,660	(23)
Total Comprehensive Income Attributable to Non-Controlling Interests	<u>68</u>	<u>51</u>	33	<u>192</u>	<u>191</u>	1
Total Comprehensive Income	<u><u>3,701</u></u>	<u><u>4,165</u></u>	(11)	<u><u>9,984</u></u>	<u><u>12,851</u></u>	(22)
Note:						
Profit before income tax is arrived after (charging)/ crediting the followings:						
Note (A) - Other Credits / (Charges)						
Bad debts recovered - trade	-	4	N.M.	-	4	N.M.
Foreign exchange adjustment loss	(1)	(225)	(100)	(12)	(201)	(94)
Sundry income	9	32	(72)	341	57	498
Gain / (Loss) on disposal of plant and equipment	55	3	1,733	(630)	(181)	248
Gain on disposal of other investment	(8)	(53)	(85)	(8)	(53)	(85)
Inventories written off	-	(4)	(100)	(11)	(33)	(67)
	<u>55</u>	<u>(243)</u>	(123)	<u>(320)</u>	<u>(407)</u>	(21)
Presented in profit or loss as:						
Other Credits	64	39	64	341	61	459
Other Charges	(9)	(282)	(97)	(661)	(468)	41
	<u>55</u>	<u>(243)</u>	(123)	<u>(320)</u>	<u>(407)</u>	(21)
Note (B) - Other Expenses						
Rental expenses	(4,172)	(3,479)	20	(13,088)	(10,024)	31
Other operating expenses	(1,157)	(1,140)	1	(3,493)	(3,091)	13
Selling and distribution costs	(1,256)	(979)	28	(3,256)	(3,165)	3
	<u>(6,585)</u>	<u>(5,598)</u>	18	<u>(19,837)</u>	<u>(16,280)</u>	22

N.M. = not meaningful

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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	
	30.09.2014 \$'000	31.12.2013 \$'000	30.09.2014 \$'000	31.12.2013 \$'000
ASSETS				
Non-Current Assets				
Investment in Associate	-	-	-	-
Investments in Subsidiaries	-	-	3,619	3,619
Other Financial Assets	3,624	3,880	3,624	3,880
Property, Plant and Equipment	13,196	12,966	11,824	12,092
Total Non-Current Assets	16,820	16,846	19,067	19,591
Current Assets				
Cash and Cash Equivalents	42,863	42,946	34,405	35,678
Trade and Other Receivables	5,380	8,356	10,963	10,859
Other Assets	5,330	6,519	4,606	5,881
Inventories	30,830	35,275	29,643	33,293
Total Current Assets	84,403	93,096	79,617	85,711
Total Assets	101,223	109,942	98,684	105,302
EQUITY AND LIABILITIES				
Equity attributable to Owners of the Parent				
Share Capital	18,775	18,775	18,775	18,775
Retained Earnings	42,344	41,215	45,554	42,202
Other Reserves	98	134	(30)	(36)
Equity, Attributable to Owners of the Parent	61,217	60,124	64,299	60,941
Non-Controlling Interests	521	509	-	-
Total Equity	61,738	60,633	64,299	60,941
Non-Current Liabilities				
Deferred Tax Liabilities	45	75	22	22
Provisions	1,554	1,450	1,453	1,450
Other Liabilities, Non-Current	5,151	2,777	3,512	1,140
Total Non-Current Liabilities	6,750	4,302	4,987	2,612
Current Liabilities				
Trade and Other Payables	21,344	30,615	19,781	28,669
Income Tax Payable	2,570	3,528	2,527	3,486
Other Liabilities, Current	8,821	10,864	7,090	9,594
Total Current Liabilities	32,735	45,007	29,398	41,749
Total Liabilities	39,485	49,309	34,385	44,361
Total Equity and Liabilities	101,223	109,942	98,684	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		9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	\$'000	\$'000	\$'000	\$'000
Cash Flows From Operating Activities				
Profit Before Tax	4,450	4,826	12,241	15,263
Adjustments for:				
Depreciation Expense of Property, Plant and Equipment	1,025	1,069	3,075	2,952
Loss / (Gain) on Disposal of Plant and Equipment	(55)	(3)	630	181
Loss on Disposal of Other Financial Assets	8	53	8	53
Interest Income	(106)	(88)	(272)	(239)
Operating Cash Flows Before Working Capital Changes	5,322	5,857	15,682	18,210
Trade and Other Receivables	1,501	914	2,976	(1,162)
Other Assets	93	109	1,189	(934)
Inventories	(101)	3,258	4,445	508
Trade and Other Payables	1,612	(9,388)	(9,271)	(6,658)
Provisions	2	-	104	-
Other Liabilities	(10)	648	331	1,692
Net Cash Flows From Operations	8,419	1,398	15,456	11,656
Income Taxes Paid	(1,346)	(1,286)	(3,210)	(3,038)
Net Cash Flows From Operating Activities	7,073	112	12,246	8,618
Cash Flows From Investing Activities				
Interest Received	106	88	272	239
Increase in Other Financial Assets	-	(252)	-	(4,954)
Proceeds from Disposal of Plant and Equipment	261	-	467	-
Proceeds from Disposal of Other Financial Assets	255	984	255	984
Purchase of Plant and Equipment	(1,288)	(1,616)	(4,402)	(3,342)
Net Cash Flows Used in Investing Activities	(666)	(796)	(3,408)	(7,073)
Cash Flows From Financing Activities				
Dividends Paid to Equity Owners	(3,797)	(3,797)	(8,699)	(8,112)
Dividends Paid to Non-Controlling Interests	-	-	(180)	(90)
Net Cash Flows Used in Financing Activities	(3,797)	(3,797)	(8,879)	(8,202)
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	8	90	(42)	103
Net Increase / (Decrease) in Cash and Cash Equivalents	2,618	(4,391)	(83)	(6,554)
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Beginning Balance	40,245	39,931	42,946	42,094
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Ending Balance	42,863	35,540	42,863	35,540

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	6,283	6,159	-	6,209	(50)	124
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
Total Comprehensive Income for the Period	3,701	3,633	-	3,619	14	68
Dividends paid	(3,797)	(3,797)	-	(3,797)	-	-
Closing Balance at 30 September 2014	61,738	61,217	18,775	42,344	98	521
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	8,686	8,546	-	8,533	13	140
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
Total Comprehensive Income for the Period	4,165	4,114	-	4,024	90	51
Dividends paid	(3,797)	(3,797)	-	(3,797)	-	-
Closing Balance at 30 September 2013	56,075	55,603	18,775	36,661	167	472
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	8,089	8,089	-	8,089	-	-
Dividends paid	(4,902)	(4,902)	-	(4,902)	-	-
Closing Balance at 30 June 2014	64,128	64,128	18,775	45,389	(36)	-
Total Comprehensive Income for the Period	3,968	3,968	-	3,962	6	-
Dividends paid	(3,797)	(3,797)	-	(3,797)	-	-
Closing Balance at 30 September 2014	64,299	64,299	18,775	45,554	(30)	-
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	9,302	9,302	-	9,302	-	-
Dividends paid	(4,315)	(4,315)	-	(4,315)	-	-
Closing Balance at 30 June 2013	59,353	59,353	18,775	40,578	-	-
Total Comprehensive Income for the Period	4,241	4,241	-	4,241	-	-
Dividends paid	(3,797)	(3,797)	-	(3,797)	-	-
Closing Balance at 30 September 2013	59,797	59,797	18,775	41,022	-	-

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 third quarter of 2014. As at 30 September 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 September 2014 and 30 September 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.

	30.09.2014	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 SEPTEMBER 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 September 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		9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	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	1.05	1.17	2.85	3.64
- on a fully diluted basis	1.05	1.17	2.85	3.64

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	
	30.09.2014	31.12.2013	30.09.2014	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	17.73	17.42	18.63	17.65

The net asset value per ordinary share of the Group and the Company as at 30 September 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 \$82.5 M for the three months ended 30 September 2014 ("3Q2014"), a decrease of 16.2% or \$15.9 M compared to the revenue of \$98.4 M for the three months ended 30 September 2013 ("3Q2013"). 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 16.9% to \$80.7 M in 3Q2014, from \$97.1 M in 3Q2013 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 driven by revenue from full operations of stores opened during the year 2013.

Revenue from the electronic signage services business segment decreased to \$0.1 M in 3Q2014 compared to \$0.2 M in 3Q2013 due to lack of revenue from completed projects in 3Q2014 compared to 3Q2013.

Revenue from the marketing call centre increased by 54.5% to \$1.7 M in 3Q2014 as more projects on event management were secured in 3Q2014 compared to 3Q2013.

Profit after taxation ("PAT")

The Group registered a lower PAT of \$3.7 M in 3Q2014, as compared to \$4.1 M in 3Q2013.

The decrease in PAT of \$0.4 M was mainly due to the following:

- a) Increase in rental expenses by \$0.7 M due to increased number of stores compared to same period last year; and
- b) higher selling and distribution cost of \$0.2 M mainly due to increased advertising and promotion expenses.

The above items have been offset by:

- c) overall gross profit increased by about \$0.3 M due to stronger retail sales; and
- d) lower foreign exchange loss of \$0.2 M.

Working capital, assets and liabilities

For the third quarter ended 30 September 2014, the Group has cash of approximately \$42.9 M.

The Group recorded an operating cash inflow of about \$7.1 M in 3Q2014. This has resulted mainly from the following:

- a) operating profit derived for 3Q2014 of \$5.3 M;
- b) decrease of trade, other receivables and other assets of \$1.6 M;
- c) increase in inventory of \$0.1 M;
- d) increase of trade, other payables and accrued liabilities of \$1.6 M and
- e) income tax paid of \$1.3 M.

The net cash outflow for investing activities was mainly due to acquisitions of equipment and renovations of about \$1.0 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 as well as proceeds arising from disposal of a bond investment of \$0.2 M while a net cash outflow of \$3.8 M was used to pay as dividend to shareholders and non-controlling interests. Consequently, cash and cash equivalents increased by about \$2.6 M for the period ended 30 September 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

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. Despite this challenging operating environment, we will continue to open stores at locations whereby they are deemed viable. 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.

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 will complete some projects currently in the pipeline in 4Q2014.

11 Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date Payable

Not applicable.

(d) Books Closure Date

Not applicable.

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 third quarter ended 30 September 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: 6 November 2014