

**Challenger  
Technologies  
Limited**



**FIRST QUARTER UNAUDITED FINANCIAL STATEMENT  
FOR THE FINANCIAL PERIOD ENDED  
31 MARCH 2014**

Co Reg No: 198400182 K

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 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
	31.03.2014 \$'000	31.03.2013 \$'000	%
<b>Revenue</b>	85,407	100,733	(15)
<b><u>Other Items of Income</u></b>			
Interest Income	92	83	11
Other Credits [Note (A)]	330	50	560
<b><u>Other Items of Expense</u></b>			
Changes in Inventories of Finished Goods	(28)	(1,688)	(98)
Purchase of Goods	(66,859)	(81,912)	(18)
Other Consumables Used	(550)	(111)	395
Depreciation Expense	(1,056)	(929)	14
Employee Benefits Expense	(5,943)	(5,340)	11
Other Expenses [Note (B)]	(6,835)	(5,130)	33
Other Charges [Note (A)]	(343)	(187)	83
<b>Profit Before Tax from Continuing Operations</b>	4,215	5,569	(24)
Income Tax Expense	(831)	(921)	(10)
<b>Profit from Continuing Operations, Net of Tax</b>	3,384	4,648	(27)
<b><u>Other Comprehensive Loss:</u></b>			
<b>Items that May Be Reclassified Subsequently to Profit or Loss:</b>			
Exchange Difference on Translating Foreign Operations, Net of tax	(11)	(8)	38
<b>Other Comprehensive Loss for the Period, Net of Tax</b>	(11)	(8)	38
<b>Total Comprehensive Income</b>	3,373	4,640	(27)
<b>Profit Attributable to Owners of the Parent, Net of Tax</b>	3,302	4,575	(28)
<b>Profit Attributable to Non-Controlling Interests, Net of Tax</b>	82	73	12
	3,384	4,648	(27)
<b>Total Comprehensive Income Attributable to Owners of the Parent, Net of Tax</b>	3,291	4,567	(28)
<b>Profit Attributable to Non-Controlling Interests, Net of Tax</b>	82	73	12
	3,373	4,640	(27)
<b>Note:</b>			
<b>Profit before income tax is arrived after charging/ (crediting) the followings:</b>			
<b><u>Note (A) - Other (Charges) / Credits</u></b>			
Foreign exchange adjustment (loss) / gain	(3)	32	(109)
Sundry income	330	18	1,733
Loss on disposal of plant and equipment	(336)	(184)	83
Inventories written off	(4)	(3)	33
	(13)	(137)	(91)
<b>Presented in profit or loss as:</b>			
Other Credits	330	50	560
Other Charges	(343)	(187)	83
	(13)	(137)	(91)
<b><u>Note (B) - Other Expenses</u></b>			
Rental expenses	(4,407)	(3,250)	36
Other operating expenses	(1,485)	(800)	86
Selling and distribution costs	(943)	(1,080)	(13)
	(6,835)	(5,130)	33

N.M. = not meaningful

CHALLENGER TECHNOLOGIES LIMITED

**FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 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	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	\$'000	\$'000	\$'000	\$'000
<b><u>ASSETS</u></b>				
<b><u>Non-Current Assets</u></b>				
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	13,784	12,966	12,245	12,092
<b>Total Non-Current Assets</b>	<b>17,664</b>	<b>16,846</b>	<b>19,744</b>	<b>19,591</b>
<b><u>Current Assets</u></b>				
Cash and Cash Equivalents	37,045	42,946	29,641	35,678
Trade and Other Receivables	7,642	8,356	11,942	10,859
Other Assets	5,536	6,519	4,471	5,881
Inventories	35,074	35,275	33,466	33,293
<b>Total Current Assets</b>	<b>85,297</b>	<b>93,096</b>	<b>79,520</b>	<b>85,711</b>
<b>Total Assets</b>	<b>102,961</b>	<b>109,942</b>	<b>99,264</b>	<b>105,302</b>
<b><u>EQUITY AND LIABILITIES</u></b>				
<b><u>Equity attributable to Owners of the Parent</u></b>				
Share Capital	18,775	18,775	18,775	18,775
Retained Earnings	44,517	41,215	46,927	42,202
Other Reserves	123	134	(36)	(36)
<b>Equity, Attributable to Owners of the Parent</b>	<b>63,415</b>	<b>60,124</b>	<b>65,666</b>	<b>60,941</b>
Non-Controlling Interests	591	509	-	-
<b>Total Equity</b>	<b>64,006</b>	<b>60,633</b>	<b>65,666</b>	<b>60,941</b>
<b><u>Non-Current Liabilities</u></b>				
Deferred Tax Liabilities	75	75	22	22
Provisions	1,557	1,450	1,488	1,450
Other Liabilities, Non-Current	2,256	2,777	1,163	1,140
<b>Total Non-Current Liabilities</b>	<b>3,888</b>	<b>4,302</b>	<b>2,673</b>	<b>2,612</b>
<b><u>Current Liabilities</u></b>				
Trade and Other Payables	18,905	30,615	16,917	28,669
Income Tax Payable	4,372	3,528	4,318	3,486
Other Liabilities, Current	11,790	10,864	9,690	9,594
<b>Total Current Liabilities</b>	<b>35,067</b>	<b>45,007</b>	<b>30,925</b>	<b>41,749</b>
<b>Total Liabilities</b>	<b>38,955</b>	<b>49,309</b>	<b>33,598</b>	<b>44,361</b>
<b>Total Equity and Liabilities</b>	<b>102,961</b>	<b>109,942</b>	<b>99,264</b>	<b>105,302</b>

- 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.

CHALLENGER TECHNOLOGIES LIMITED

**FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2014**

- 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 Cash Flow Statement**

	31.03.2014 \$'000	31.03.2013 \$'000
<b>Cash Flow From Operating Activities</b>		
Profit Before Tax	4,215	5,569
Adjustments for:		
Depreciation Expense	1,056	929
Loss on Disposal of Plant and Equipment	336	184
Interest Income	(92)	(83)
Operating Cash Flows Before Working Capital Changes	5,515	6,599
Trade and Other Receivables	714	(5,136)
Other Assets	983	(667)
Inventories	201	1,700
Trade and Other Payables	(11,710)	3,495
Provisions	107	(60)
Other Liabilities	405	440
Net Cash Flows (Used in) / From Operations	(3,785)	6,371
Income Tax Paid	13	(1)
Net Cash Flows (Used in) / From Operating Activities	(3,772)	6,370
<b>Cash Flows From Investing Activities</b>		
Interest Received	92	83
Increase in Other Financial Assets	-	(4,702)
Proceeds from Disposal of Plant and Equipment	61	-
Purchase of Plant and Equipment	(2,271)	(605)
Net Cash Flows Used in Investing Activities	(2,118)	(5,224)
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	(11)	(8)
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>	(5,901)	1,138
Cash and Cash Equivalents, Consolidated Cash Flow Statement, Beginning Balance	42,946	42,094
<b>Cash and Cash Equivalents, Consolidated Cash Flow Statement, Ending Balance</b>	<b>37,045</b>	<b>43,232</b>

CHALLENGER TECHNOLOGIES LIMITED

**FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 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 Holders 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
<b><u>Group</u></b>						
<b>Current Period:</b>						
<b>Opening Balance at 1 January 2014</b>	60,633	60,124	18,775	41,215	134	509
<b>Movements in Equity:</b>						
Total Comprehensive Income for the Period	3,373	3,291	-	3,302	(11)	82
<b>Closing Balance at 31 March 2014</b>	<b>64,006</b>	<b>63,415</b>	<b>18,775</b>	<b>44,517</b>	<b>123</b>	<b>591</b>
<b><u>Previous Period:</u></b>						
<b>Opening Balance at 1 January 2013</b>	51,426	51,055	18,775	32,216	64	371
<b>Movements in Equity:</b>						
Total Comprehensive Income for the Period	4,640	4,567	-	4,575	(8)	73
<b>Closing Balance at 31 March 2013</b>	<b>56,066</b>	<b>55,622</b>	<b>18,775</b>	<b>36,791</b>	<b>56</b>	<b>444</b>
<b><u>Company</u></b>						
<b>Current Period:</b>						
<b>Opening Balance at 1 January 2014</b>	60,941	60,941	18,775	42,202	(36)	-
<b>Movements in Equity:</b>						
Total Comprehensive Income for the Period	4,725	4,725	-	4,725	-	-
<b>Closing Balance at 31 March 2014</b>	<b>65,666</b>	<b>65,666</b>	<b>18,775</b>	<b>46,927</b>	<b>(36)</b>	<b>-</b>
<b><u>Previous Period:</u></b>						
<b>Opening Balance at 1 January 2013</b>	54,366	54,366	18,775	35,591	-	-
<b>Movements in Equity:</b>						
Total Comprehensive Income for the Period	4,813	4,813	-	4,813	-	-
<b>Closing Balance at 31 March 2013</b>	<b>59,179</b>	<b>59,179</b>	<b>18,775</b>	<b>40,404</b>	<b>-</b>	<b>-</b>

**CHALLENGER TECHNOLOGIES LIMITED**

**FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2014**

- 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 first quarter of 2014. As at 31 March 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 31 March 2014 and 31 March 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.**

	31.03.2014	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.

**CHALLENGER TECHNOLOGIES LIMITED**

**FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 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 31 March 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**

	Group	
	31.03.2014	31.03.2013
	cents	cents
Earnings per share based on consolidated profit after taxation and minority interest		
- on weighted average number of shares	0.96	1.33
- on a fully diluted basis	0.96	1.33

(i) 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	
	31.03.2014	31.12.2013	31.03.2014	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				
	18.37	17.42	19.02	17.65

The net asset value per ordinary share of the Group and the Company as at 31 March 2014 is computed based on the total number of issued shares of 345,207,961.

## CHALLENGER TECHNOLOGIES LIMITED

### FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2014

- 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

For the first quarter ended 31 March 2014 ("1Q2014"), the Group's revenue of \$85.4 M was 15.2% lower than \$100.7 M achieved in the last corresponding quarter.

Revenue from the IT products and services business segment decreased 15.6% to \$83.9 M, from \$99.4 M in the last corresponding quarter mainly due to lower corporate sales in Singapore and lower retail sales in Malaysia. This was offset by an increase in revenue from our retail operations in Singapore. The growth in Singapore retail operations was largely contributed by revenue from full operations of stores which opened during second half of 2013.

Revenue from the electronic signage services business segment decreased to \$0.1 M due to lack of revenue from completed projects in 1Q2014 compared to 1Q2013.

Revenue from the marketing call centre increased by 27.3% to \$1.4 M in 1Q2014 as more projects were secured in 1Q2014 compared to the corresponding period last year.

#### Profit after taxation

The Group registered a lower PAT of \$3.4 M in 1Q2014, as compared to \$4.6 M in 1Q2013.

The decrease in PAT of \$1.3 M was mainly due to the following:

- a) higher employee benefits expenses of \$0.6 M;
- b) increase in depreciation expenses by about \$0.1 M in line with the increase in plant and equipment for increased number of retail stores compared to same period last year;;
- c) increase in other operating expenses by about \$0.5 M; and
- d) increase in rental expenses by \$1.1 M due to increased number of stores compared to same period last year; and
- e) higher disposal expense of about \$0.2 M arising from the closure of superstores in Malaysia in 1Q2014.

The above items have been offset by:

- f) overall gross profit increased by about \$0.9 M due to stronger retail sales; and
- g) other income from Government Wage Credit Scheme of \$0.3 M.

#### Working capital, assets and liabilities

Cash used in operating activities amounted to about \$3.8 M. This has resulted mainly from the followings:

- a) operating profit derived for 1Q2014 of \$5.5 M;
- b) decrease of trade, other payables and accrued liabilities of \$11.6 M;
- c) increase of other liabilities of \$0.4 M;
- d) decrease of trade, other receivables and other assets of \$1.7 M; and
- e) decrease in inventory of \$0.2 M.

The net cash outflow for investing activities was mainly due to acquisitions of equipment and renovations of about \$2.2 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. Hence, cash and cash equivalents decreased by about \$5.9 M for the period ended 31 March 2014.

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



**CHALLENGER TECHNOLOGIES LIMITED**

**FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2014**

- 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 today, the Group has a total retail network of 43 stores, of which 42 is in Singapore and one is in Malaysia. Currently, there are four new store openings in the pipeline, which are due to be opened in the second and third quarter of 2014. We will close down the remaining one store in Malaysia in the 2Q2014.

The Group will continue to focus on growing our core IT lifestyle retail business in Singapore. We also seek to explore expansion opportunities via sales of our private label products, Valore, in ASEAN countries.

**b. Electronic signage services**

We will continue to concentrate and focus on architectural and commercial lighting projects and electronic signboard projects. We are working with strategic partners to secure projects in order to continue to grow our business in this market segment.

- 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.

**CHALLENGER TECHNOLOGIES LIMITED**

**FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2014**

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

There is no dividend declared for this quarter.

**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 31 March 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  
DIRECTOR AND CHIEF EXECUTIVE OFFICER  
DATE: 8 May 2014