

Challenger Technologies Limited



FIRST QUARTER UNAUDITED FINANCIAL STATEMENT

FOR THE FINANCIAL PERIOD ENDED

31 MARCH 2015

Co Reg No: 198400182 K

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2015

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 Profit or Loss and Other Comprehensive Income

	Group		Change
	3 months ended		
	31.03.2015 \$'000	31.03.2014 \$'000	
Revenue	83,791	85,407	(2)
<u>Other Items of Income</u>			
Interest Income	109	92	18
Other Gains [Note (A)]	677	330	105
<u>Other Items of Expense</u>			
Changes in Inventories of Finished Goods	1,505	(28)	(5,475)
Purchase of Goods and Consumables	(68,549)	(66,859)	3
Other Consumables Used	(133)	(550)	(76)
Depreciation Expense	(1,058)	(1,056)	0
Employee Benefits Expense	(5,453)	(5,943)	(8)
Other Expenses [Note (B)]	(6,227)	(6,835)	(9)
Other Losses [Note (A)]	(29)	(343)	(92)
Profit Before Tax from Continuing Operations	<u>4,633</u>	<u>4,215</u>	10
Income Tax Expense	(875)	(831)	5
Profit from Continuing Operations, Net of Tax	<u><u>3,758</u></u>	<u><u>3,384</u></u>	11
<u>Other Comprehensive Loss:</u>			
Items that May Be Reclassified Subsequently to Profit or Loss:			
Exchange Difference on Translating Foreign Operations, Net of tax	(143)	(11)	1,200
Other Comprehensive Loss for the Period, Net of Tax	<u>(143)</u>	<u>(11)</u>	1,200
Total Comprehensive Income	<u><u>3,615</u></u>	<u><u>3,373</u></u>	7
Profit Attributable to Owners of the Parent, Net of Tax	3,692	3,302	12
Profit Attributable to Non-Controlling Interests, Net of Tax	66	82	(20)
	<u><u>3,758</u></u>	<u><u>3,384</u></u>	11
Total Comprehensive Income Attributable to Owners of the Parent, Net of Tax	3,549	3,291	8
Profit Attributable to Non-Controlling Interests, Net of Tax	66	82	(20)
	<u><u>3,615</u></u>	<u><u>3,373</u></u>	7
Note:			
Profit before income tax is arrived after charging/ (crediting) the followings:			
<u>Note (A) - Other Gains / (Losses)</u>			
Foreign exchange adjustment gain / (loss)	211	(3)	(7,133)
Sundry income	466	330	41
Loss on disposal of plant and equipment	(29)	(336)	(91)
Inventories written off	-	(4)	(100)
	<u>648</u>	<u>(13)</u>	(5,085)
Presented in profit or loss as:			
Other Gains	677	330	105
Other Losses	(29)	(343)	(92)
	<u>648</u>	<u>(13)</u>	(5,085)
<u>Note (B) - Other Expenses</u>			
Rental expenses	(4,316)	(4,407)	(2)
Other operating expenses	(980)	(1,485)	(34)
Selling and distribution costs	(931)	(943)	(1)
	<u>(6,227)</u>	<u>(6,835)</u>	(9)

N.M. = not meaningful

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2015

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

Statements of Financial Position

	Group		Company	
	31.03.2015 \$'000	31.12.2014 \$'000	31.03.2015 \$'000	31.12.2014 \$'000
ASSETS				
Non-Current Assets				
Investment in Associate	-	-	-	-
Investments in Subsidiaries	-	-	2,719	2,719
Other Financial Assets	3,651	3,651	3,651	3,651
Property, Plant and Equipment	13,175	13,755	12,937	13,513
Total Non-Current Assets	16,826	17,406	19,307	19,883
Current Assets				
Cash and Cash Equivalents	42,009	52,621	33,781	44,297
Trade and Other Receivables	11,780	5,704	14,919	7,246
Other Assets	5,319	5,011	5,170	4,786
Inventories	35,904	34,480	35,983	34,458
Total Current Assets	95,012	97,816	89,853	90,787
Total Assets	111,838	115,222	109,160	110,670
EQUITY AND LIABILITIES				
Equity attributable to Owners of the Parent				
Share Capital	18,775	18,775	18,775	18,775
Retained Earnings	50,986	47,294	52,434	48,433
Other Reserves	106	249	(2)	(2)
Equity, Attributable to Owners of the Parent	69,867	66,318	71,207	67,206
Non-Controlling Interests	636	570	-	-
Total Equity	70,503	66,888	71,207	67,206
Non-Current Liabilities				
Deferred Tax Liabilities	45	45	22	22
Provisions	1,706	1,631	1,706	1,631
Other Liabilities, Non-Current	3,733	3,357	1,203	1,203
Total Non-Current Liabilities	5,484	5,033	2,931	2,856
Current Liabilities				
Trade and Other Payables	21,850	29,814	22,390	28,584
Income Tax Payable	4,230	3,352	3,856	3,266
Other Liabilities, Current	9,771	10,135	8,776	8,758
Total Current Liabilities	35,851	43,301	35,022	40,608
Total Liabilities	41,335	48,334	37,953	43,464
Total Equity and Liabilities	111,838	115,222	109,160	110,670

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 2015

- 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 Flow

	31.03.2015 \$'000	31.03.2014 \$'000
Cash Flow From Operating Activities		
Profit Before Tax	4,633	4,215
Adjustments for:		
Depreciation Expense	1,058	1,056
Loss on Disposal of Plant and Equipment	29	336
Interest Income	(109)	(92)
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	(143)	(11)
Operating Cash Flows Before Working Capital Changes	<u>5,468</u>	<u>5,504</u>
Trade and Other Receivables	(6,076)	714
Other Assets	(308)	983
Inventories	(1,424)	201
Trade and Other Payables	(7,964)	(11,710)
Other Liabilities	12	405
Net Cash Flows Used in Operations	<u>(10,292)</u>	<u>(3,903)</u>
Income Tax Refund	3	13
Net Cash Flows Used in Operating Activities	<u>(10,289)</u>	<u>(3,890)</u>
Cash Flows From Investing Activities		
Interest Received	109	92
Proceeds from Disposal of Plant and Equipment	-	61
Purchase of Plant and Equipment	(432)	(2,164)
Net Cash Flows Used in Investing Activities	<u>(323)</u>	<u>(2,011)</u>
Net Decrease in Cash and Cash Equivalents	<u>(10,612)</u>	<u>(5,901)</u>
Cash and Cash Equivalents, Consolidated Statement of Cash Flow , Beginning Balance	<u>52,621</u>	<u>42,946</u>
Cash and Cash Equivalents, Consolidated Statement of Cash Flow , Ending Balance	<u><u>42,009</u></u>	<u><u>37,045</u></u>

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2015

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

Statements 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
Group						
Current Period:						
Opening Balance at 1 January 2015	66,888	66,318	18,775	47,294	249	570
Movements in Equity:						
Total Comprehensive Income for the Period	3,615	3,549	-	3,692	(143)	66
Closing Balance at 31 March 2015	70,503	69,867	18,775	50,986	106	636
Previous 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
Company						
Current Period:						
Opening Balance at 1 January 2015	67,206	67,206	18,775	48,433	(2)	-
Movements in Equity:						
Total Comprehensive Income for the Period	4,001	4,001	-	4,001	-	-
Closing Balance at 31 March 2015	71,207	71,207	18,775	52,434	(2)	-
Previous 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)	-

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2015

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 2015. As at 31 March 2015, the Company's issued and paid up capital comprises 345,207,961 (31 December 2014: 345,207,961) ordinary shares and \$18,775,054 (31 December 2014: \$18,775,054) respectively.

There were no outstanding convertibles issued or treasury shares held by the Company as at 31 March 2015 and 31 March 2014.

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.

	31.03.2015	31.12.2014
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 2015

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 2014, 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 2015, 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 2015.

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	
	31.03.2015	31.03.2014
	cents	cents
Earnings per share based on consolidated profit after taxation and minority interest		
- on weighted average number of shares	1.07	0.96
- on a fully diluted basis	1.07	0.96

(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	
	31.03.2015	31.12.2014	31.03.2015	31.12.2014
	cents	cents	cents	cents
Net asset value per share based on existing issued share capital as at the end of the respective period	20.24	19.21	20.63	19.47

The net asset value per ordinary share of the Group and the Company as at 31 March 2015 and 31 December 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 2015

- 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 2015 ("1Q2015"), the Group's revenue of \$83.8 M was 1.9% lower than \$85.4 M achieved in the last corresponding quarter.

Revenue from the IT products and services business segment slightly down by 1.5% to \$82.6 M, from \$83.9 M in the last corresponding quarter primarily due to closure of retail operations in Malaysia in the second half of last year. This was offset by an increase of 2.5% or \$2.0 M in revenue from corporate sales and tradeshow in Singapore.

Revenue from the electronic signage services business segment remained unchanged at \$0.1 M.

Revenue from the marketing call centre down by 21.4% or \$0.3 M to \$1.1 M in 1Q2015 as lesser projects on event management were secured in 1Q2015 compared to the corresponding period last year.

Profit after taxation

The Group registered a higher PAT of \$3.8 M in 1Q2015, as compared to \$3.4 M in 1Q2014.

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

- a) lower employee benefits expenses of \$0.5 M;
- b) decrease in other operating expenses by about \$0.5 M;
- c) decrease in rental expenses by \$0.1 M;
- d) lower disposal expense of fixed assets by about \$0.3 M;
- e) Exchange gain of about \$0.2 M arising from translation of foreign currencies balances; and
- f) increase in other income from Government Wage Credit Scheme of \$0.1 M.

The above items have been offset by:

- g) decrease in overall gross profit by about \$1.3 M due to weaker retail sales.

Working capital, assets and liabilities

Cash used in operating activities amounted to about \$10.3 M. This has resulted mainly from the followings:

- a) operating profit derived for 1Q2015 of \$5.5 M;
- b) decrease of trade, other payables and accrued liabilities of \$8.0 M mainly due to lower trade payables as a result of early payment scheme;
- c) increase of trade, other receivables and other assets of \$6.4 M mainly due to advance payments to suppliers; and
- d) increase in inventory of \$1.4 M.

The net cash outflow for investing activities was mainly due to acquisitions of equipment and renovations for our retail stores of \$0.4 M. In addition, the Group received interests from fixed deposits and bonds of \$0.1 M. Hence, cash and cash equivalents decreased by about \$10.6 M for the period ended 31 March 2015.

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

CHALLENGER TECHNOLOGIES LIMITED

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- 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 44 stores in Singapore. Currently, there are four new store openings in the pipeline, which are due to be opened in the second and third quarter of 2015.

The Group will continue to focus on growing our core IT lifestyle retail business in Singapore through new retail concepts within the stores so as to provide a difference shopping experience to our customers and eventually to increase our revenue in the current year.

b. Electronic signage services

We will continue to work with strategic partners to continue to grow our business in architectural and commercial lighting projects.

- 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

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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 2015 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: 12 May 2015