CHALLENGER TECHNOLOGIES LIMITED
1 UBI LINK CHALLENGER TECHUB SINGAPORE 408553
Company Registration Number: 198400182K

CHALLENGER TECHNOLOGIES LIMITED ANNUAL REPORT 2014

BRINGING DIGITAL CONVENIENCE TO DAILY LIFE

ANNUAL REPORT 2014

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Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522

Proud of our heritage and our achievements, we are committed to delivering the best to ensure a quality lifestyle.

Since our inception, we have been a part of the Singapore 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

FY2014 was a challenging year. We saw the first dip in revenue and net profit after enjoying consecutive years of growth. Group revenue and net profit decreased by 8% and 13% to $355.1 million and $15.0 million respectively. We made the difficult decision to cease retail operations in Malaysia. We grappled with retail industry concerns such as increasing retail rentals and a tight labour market. On the back of all these developments, we had to contend with a soft consumer market that showed signs of dampened buying power.

Thankfully, that was in the past year.

For FY2015, we remain encouraged. Buoyed by Q42014's stellar results that mitigated the overall revenue and net profit drop in the past year, we are witnessing positive results from our business improvement initiatives.

Firstly, Challenger took the initiative to develop new retail concepts in a crowded product market that needed an overall theme to excite retail customers again. We pioneered the Android Zone, a one-stop experiential purchase concept which has now been rolled out across most of our retail stores. From Android device cables to high-end Android tablets, the recognisable shade of green within our stores marked a fresh and concerted start for customers wanting to compare Android products quickly and easily. In addition, we also injected a boost to our Gaming category by rolling out Game On concept zones at selected stores. Game On represents a niche but fast-growing category, allowing fans to browse a wide range of gaming consoles, desktops, accessories and game titles.

Secondly, Challenger is accelerating its growth in identified categories such as mobile devices, business consumers and ValueClub membership. For mobile devices, the opportunities were ripe for the picking since we have been tracking steady sales growth. Online to offline sales for mobile phones are in the pipeline to come. For business consumers, the government's PIC scheme has allowed more small and medium businesses to increase their productivity by investing in IT products to help them do so – Challenger naturally became a starting point to shop for such productivity tools. For our over half a million ValueClub members, we are ensuring more relevant, timely and targeted promotions for them through our enhanced communication channels. It is our goal to create and improve both the offline store channel as well as the online shopping website and app to provide a seamless experience for our members when they browse, shop, and earn and redeem member points.

Lastly, Challenger has been quick to make changes when the expected results are not met. We learnt that standalone Valore concept stores presented an incomplete shopping experience for our customers who were used to a wider variety of IT products and accessories. We made the decision to convert these stores to small-format Challenger stores, stocking more of the products that customers wanted to browse and buy, resulting in transactions eventually picking back up. We will continue to test new retail concepts and make necessary improvements to suit the ever-changing IT retail landscape.

On the subsidiary side of our business for FY2014, our electronic signage service business, CBD eVision Pte Ltd, registered an increase in turnover of about 29% to $0.9 million due to the completion of more projects. It achieved a net profit of approximately $0.1 million in FY2014 compared to a loss incurred in the previous year of about $0.05 million. Similarly, our call centre subsidiary, InCall Systems Pte Ltd, increased its revenue and profit by 21% to $5.7 million and by 5% to $0.8 million respectively. InCall operates call centres, manages events and provides direct marketing and database management services. It has also identified new growth areas of IT equipment repair services and corporate gifts sourcing. Its exclusive Star Shield Extended Warranty scheme is available at all Challenger retail stores.

A final tax-exempt one-tier dividend of 1.25 cents per ordinary share has been proposed, subject to shareholders' approval during the coming Annual General Meeting to be held on 28 April 2015. We had paid an interim tax-exempt one-tier dividend of 1.1 cent per ordinary share in September 2014. This brings the total dividend to 2.35 cents per ordinary share for FY2014. The total payout for FY2014 represents approximately 55% of net profit for FY2014, compared to FY2013 for which approximately 51% of net profit was paid as dividend.

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

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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 Member
TAN CHAY BOON Member

NOMINATING COMMITTEE
MAX NG CHEE WENG Chairman
TAN HAN BENG Member
TAN CHAY BOON Member

REMUNERATION COMMITTEE
MAX NG CHEE WENG Chairman
TAN HAN BENG Member
TAN CHAY BOON Member

COMPANY SECRETARY
CHIA FOON YEOW

SHARE REGISTRAR AND SHARE TRANSFER OFFICE
BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

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

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

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

GROUP OF COMPANIES

* 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. He 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, he 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.

MR TAN WEE KO Executive Director and Group 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. He 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 16 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 intellectual property and technology law practice, headquartered in Singapore with people and offices across ASEAN including in Malaysia, Philippines and Hong Kong. He specialises in intellectual property, technology and franchising laws. He is listed as a leading lawyer in his field in publications such as Chambers Asia-Pacific 2015, Legal 500, AsiaLaw Leading Lawyers, The International Who's Who of Business Lawyers and Singapore's inaugural Legal Who's Who. Max is also an Associate Mediator and a member of the Singapore Institute of Arbitrators, and a Notary Public. He is also admitted to practice in Malaya, England and Wales.

MS TAN CHAY BOON Independent Director

She has more than 27 years of working experience in the IT and fast-moving consumer goods industries covering Singapore, Asia Pacific and global regions. She had held several senior positions in multinational corporations including Managing Director at SAP Asia Pte Ltd and Vice President for Enterprise Group (South East Asia) at Hewlett -Packard. In her 21-year tenure with Hewlett-Packard, she was involved in several management roles in charge of consumer, small medium business and enterprise segments. She 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 TAN HUAT BEN

Group Chief Operating Officer

He joined the Group in October 2012 and oversees the retail operations, merchandising, marketing and corporate sales departments of the Group. He has more than 20 years of experience in the IT industry and retail operations and was previously with Microsoft for over 16 years. Prior to joining the Group, he was General Manager of Retail Sales and Marketing Division in Microsoft (Asia Pacific), responsible for over US$500 million in revenue from four business units over nine countries. He has a Master of Business Administration and a Bachelor of Business Administration from the University of Portland, Oregon.

MR WOON YOON SIONG

Group Chief Information 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. He 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 19 years of experience in the IT industry. Mr Ng holds a Bachelor of Science in Business Administration from the California State University, Los Angeles.

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. He joined CBD eVision in 1986 and has over 25 years of experience in the electronic signage business.

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. He 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.

Creating value and committed to growing our business.

OUR
RETAIL LOCATIONS

CHALLENGER MEGASTORE

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

CHALLENGER SUPERSTORES

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
#02-23/23A IMM Building
Singapore 609601
Tel: 6426 9123
imm@challenger.sg

JCube
2 Jurong East Central 1
#02-11 JCube
Singapore 609731
Tel: 6592 5376
jc@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

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
#03-19 Tiong Bahru Plaza
Singapore 168732
Tel: 6376 5646
tb@challenger.sg

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

OUR RETAIL LOCATIONS

CHALLENGER MINI

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

Funan
109 North Bridge Road
#04-19, Funan DigitaLife Mall
Singapore 179097
Tel: 6334 1802
fcm19@challenger.sg

Bukit Panjang Plaza
1 Jelebu Road
#02-43/44 Bukit Panjang Plaza
Singapore 677743
Tel: 6314 0414
pg@challenger.sg

City Square Mall
180 Kitchener Road
#B1-11A/12 City Square Mall
Singapore 208539
Tel: 6509 1309
cy@challenger.sg

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

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

Thomson Plaza
301 Upper Thomson Road
#03-28/29, Thomson Plaza
Singapore 574408
Tel: 6457 3219
ts@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

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

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

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

Tanglin Mall
163 Tanglin Road
#03-15 Tanglin Mall
Singapore 247933
Tel: 6836 1576
TL@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 Ave 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 FINANCIAL HIGHLIGHTS

CHALLENGER TECHNOLOGIES LIMITED AND ITS SUBSIDIARIES

GROUP REVENUE ($'000)

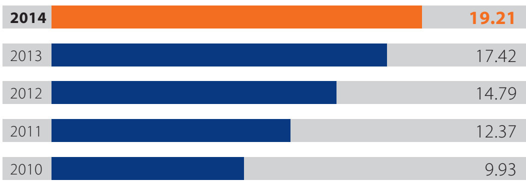
PROFIT BEFORE TAX ($'000)

PROFIT AFTER TAX ($'000)

SHAREHOLDERS' EQUITY ($'000)

EARNINGS PER SHARE – DILUTED (CENTS)

NET TANGIBLE ASSETS PER SHARE (CENTS)



KEY FINANCIAL RATIOS	FY2014	FY2013	FY2012	FY2011	FY2010
Net Profit Margin (%)	4%	4.5%	4.9%	5.0%	5.7%
Inventory Turnover (days)	45	40	37	34	45
Trade Receivable Turnover (days)	6	8	3	4	4
Return on Equity (%)	23%	29%	32%	37%	40%
Quick Ratio (times)	1.46	1.24	1.37	1.11	0.92
Current Ratio (times)	2.26	2.00	2.16	1.59	1.47

OPERATIONS REVIEW

STATEMENT OF COMPREHENSIVE INCOME

	Group 31.12.2014 S$'000	Group 31.12.2013 S$'000	Variance Increase/ (Decrease) S$'000	Remarks
REVENUE	355,112	385,404	(30,292)	Revenue decrease mainly due to lower contribution from corporate sales in Singapore and closure of retail operations in Malaysia.
Changes in Inventories	(643)	7,096	(7,739)	
Cost of Goods Purchased	(279,615)	(319,931)	(40,316)	Decrease in line with lower retail revenue recorded in FY2014.
Other consumables used	(1,200)	(693)	507	
OTHER ITEMS OF INCOME				
Interest Income	365	303	62	Increase due to receipt of coupon income arising from investment in corporate bonds and interest income from fixed deposits placed with banks.
Other Gains	341	151	190	Increase mainly due to other income from Government Wage Credit Scheme.
OTHER ITEMS OF EXPENSE				
Depreciation Expense	(4,178)	(3,992)	186	Increase due to acquisition of new plant and equipment as a results of expansion of retail stores.
Employee Benefits Expense	(24,001)	(24,261)	(260)	Decrease due to lower staff incentive paid as a result of lower revenue recorded in FY2014.
Other Expenses	(26,877)	(22,709)	4,168	Increase due to: 1) higher rental expenses from increased number of retail stores in FY2014; and 2) increase in other operating expenses to support business operations.
Other Losses	(874)	(535)	339	Increase mainly due to higher expenses arising from the closure of stores in Malaysia in FY2014.
PROFIT BEFORE TAX	18,430	20,833	(2,403)	
Income Tax Expenses	(3,411)	(3,494)	(83)	
PROFIT NET OF TAX	15,019	17,339	(2,320)	

OPERATIONS REVIEW
STATEMENT OF FINANCIAL POSITION

	Group 31.12.2014 S$'000	Group 31.12.2013 S$'000	Variance Increase/ (Decrease) S$'000	Remarks
ASSETS				
NON-CURRENT ASSETS				
Other Financial Assets	3,651	3,880	(229)	Decrease due to disposal of corporate bonds.
Property, Plant and Equipment	13,755	12,966	789	Increase due to acquisition of equipment and renovation for new and existing retail stores in Singapore during FY2014. These have been partially offset by depreciation expense and loss on disposal charges for the year.
Total Non-Current Assets	17,406	16,846	560	
CURRENT ASSETS				
Inventories	34,480	35,275	(795)	Decrease mainly due to closure of retail operations in Malaysia.
Cash and Cash Equivalents	52,621	42,946	9,675	Increase due to operating profits and working capital generated from operations. These have been partially offset by payment of dividends and capital expenditure incurred for new and existing retail stores.
Trade and Other Receivables	5,704	8,356	(2,652)	Decrease due to lower trade debt.
Other Assets, Current	5,011	6,519	(1,508)	Decrease due to lower renovation deposits as results of completion of renovation works at retail stores.
Total Current Assets	97,816	93,096	4,720	
Total Assets	115,222	109,942	5,280	

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OPERATIONS REVIEW
STATEMENT OF FINANCIAL POSITION (CONT'D)

	Group		Variance	
	31.12.2014 S$'000	31.12.2013 S$'000	Increase/ (Decrease) S$'000	Remarks
EQUITY AND LIABILITIES				
EQUITY				
Share Capital	18,775	18,775	–	
Retained Earnings	47,294	41,215	6,079	
Other Reserves	249	134	115	
Total Shareholders' Funds	66,318	60,124	6,194	
Non-Controlling Interests	570	509	61	
Total Equity	66,888	60,633	6,255	
NON-CURRENT LIABILITIES				
Deferred Tax Liabilities	45	75	(30)	
Provisions	1,631	1,450	181	Increase due to higher provision for restoration cost for new retail stores in Singapore.
Other Liabilities	3,357	2,777	580	Increase due to higher deferment of the revenue recognition from extended warranty.
Total Non-Current Liabilities	5,033	4,302	731	
CURRENT LIABILITIES				
Trade and Other Payables	29,814	30,615	(801)	Decrease due to lower purchases and provision for expenses.
Income Tax Payable	3,352	3,528	(176)	
Other Liabilities	10,135	10,864	(729)	Decrease due to decrease in deferment of the recognition of reward points granted to customers, partially offset by higher deferment of membership admin fee recognition and deferment of revenue recognition from extended warranty.
Total Current Liabilities	43,301	45,007	(1,706)	
Total Liabilities	48,334	49,309	(975)	
Total Equity and Liabilities	115,222	109,942	5,280	

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 2014 ("FY2014"), 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 acquisition, 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;

CORPORATE GOVERNANCE

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 (eg. 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 – 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 FY2014, 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

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 (⅓) 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.

CORPORATE GOVERNANCE

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 a particular rigorous review. Taking into account of 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.

CORPORATE GOVERNANCE

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 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 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 (⅓) 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 Loo Leong Thye and Ms Tan Chay Boon be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC has considered the Director's overall contributions and performance.

Mr Loo Leong Thye will, upon re-election as a Director of the Company, remain as the Executive Director & CEO of the Company.

Ms Tan Chay Boon will, upon re-election as a Director of the Company, remain as the member of the AC, the NC and the RC, and the Board considers her 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.

CORPORATE GOVERNANCE

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	61	Executive Director & CEO	14/01/1984	15/04/2013	**Present Directorships** NIL **Past Directorships (in the last three preceding years)** NIL
Tan Wee Ko	45	Executive Director & CFO	30/04/2013	24/04/2014	**Present Directorships** NIL **Past Directorships (in the last three preceding years)** NIL
Max Ng Chee Weng	44	Independent Director	12/01/2006	24/04/2014	**Present Directorships** NIL **Past Directorships (in the last three preceding years)** NIL
Tan Han Beng	40	Independent Director	01/03/2013	15/04/2013	**Present Directorships** NIL **Past Directorships (in the last three preceding years)** NIL
Tan Chay Boon	55	Independent Director	01/03/2013	15/04/2013	**Present Directorships** NIL **Past Directorships (in the last three preceding years)** 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 FY2014, 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.

CORPORATE GOVERNANCE

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 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 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 director's 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 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 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) month's 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.

CORPORATE GOVERNANCE

The remuneration of the Executive Directors includes a Directors' 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 the 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 2014)

Remuneration Band & Name of Directors	Fixed Salary	Directors' Fees	Allowance & Others	Variable or Performance Related Income/Bonus	Total
$850,000 to $899,999					
Loo Leong Thye	42%	1%	1%	56%	100%
$500,000 to $549,999					
Tan Wee Ko	42%	2%	10%	46%	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 2014 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				
Tan Huat Ben	83%	17%	–	100%
Below $250,000				
Ng Kian Teck	73%	15%	12%	100%
Chia Kang Whye	84%	15%	1%	100%
Seah Chin Tiong	62%	17%	21%	100%
Woon Yoon Siong	82%	13%	5%	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 FY2014 is S$1,100,000.

The remuneration of Ms. Loo Pei Fen, the daughter of the Company's CEO, Mr. Loo Leong Thye, falls within the band of S$100,000 and S$150,000 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 S$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 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.

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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:

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

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 Group's internal controls including financial, operational, compliance and information technology controls. Such assurance activities include controlled-self-assessment performed by Management, internal and external audits conducted by external professional service firms.

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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 internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, various board committees and the Board, the AC and the Board are of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls and risk management systems, were adequate and effective for FY2014.

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 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;

CORPORATE GOVERNANCE

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 the senior management 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 FY2014.

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.

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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 FY2014 was approximately of S$127,000. The audit fees to the external auditors amounted to approximately of S$105,000 and non-audit fees (in connection with the provision of income tax compliance work and review of results announcement service) amounted to approximately of S$16,000. The audit fees paid to the other independent auditors for FY2014 amounted to approximately of S$5,000 and non-audit fees (in connection with the provision of income tax compliance work) amounted to approximately of S$1,000. 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 SGXST Listing Manuel 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 FY2014, 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.

CORPORATE GOVERNANCE

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 review during FY2014 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 manger and on a timely basis of all material developments that impact the Group.

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;

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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.

The Company will pay at least 50% of the Group's net profit attributable to equity holders for FY2014 to FY2015, taking into account the following factors. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

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.

While acknowledging that voting by poll is integral in the enhancement of corporate governance, the Company is concerned over the cost effectiveness and efficiency of the polling procedures which may be logistically and administratively burdensome. Electronic polling may be efficient in terms of speed but may not be cost effective. The Board will adhere to the requirements of the Listing Manual where all resolutions are to be voted by poll for general meetings held on and after 1 August 2015.

Securities Transactions by Officers and Employees

In compliance with Rule 1207(19) as set out in the SGX 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.

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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 S$100,000, as defined in Chapter 9 of the SGX-ST Listing Manual, entered into during FY2014.

Material Contracts

There were no material contracts entered into by the Company during FY2014 or still subsisting as at 31 December 2014 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.

DIRECTORS' REPORT

The directors of the company are pleased to present their report together with the audited financial statements of the company and of the group for the reporting year ended 31 December 2014.

1. Directors at date of report

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

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

2. 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 any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

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 and related corporations 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 companies 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	148,824,250	148,324,250
Tan Wee Ko	1,788,000	1,788,000
Max Ng Chee Weng	17,500	17,500

	Shareholdings in which directors are deemed to have an interest	
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	34,585,500	34,585,500
Max Ng Chee Weng	11,500	11,500

DIRECTORS' REPORT

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 2015 were the same as those at the end of the reporting year.

4. Contractual benefits of directors

Since the beginning of the reporting year, no director of the company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Act by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

There were certain transactions (shown in the financial statements under related party transactions) with corporations in which certain directors have an interest.

5. Share options

During the reporting year, no option to take up unissued shares of the company or any subsidiary was granted.

During the reporting year, there were no shares of the company or any subsidiary 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 of the company or any subsidiary under option.

6. Independent auditor

The independent auditor, RSM Chio Lim LLP, have expressed their willingness to accept re-appointment.

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;

DIRECTORS' REPORT

- 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.

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 16 February 2015, 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

19 March 2015

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the accompanying consolidated statement of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, consolidated statement of cash flows, and notes thereto set out on pages 43 to 99 are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 December 2014 and of the results and cash flows of the group and changes in equity of the company and of the group for the reporting year then ended; and

(b) at the date of this 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.

On Behalf of The Directors

Loo Leong Thye
Chief Executive Officer

Tan Wee Ko
Executive Director

19 March 2015

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 99, which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of the 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 consolidated statement of profit or loss and other comprehensive income and statements of financial position 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 Auditor's 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 state of affairs of the group and of the company as at 31 December 2014 and of the results, 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 subsidiaries incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

19 March 2015

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2014

	Notes	Group 2014 $'000	Group 2013 $'000
Revenue	5	**355,112**	385,404
Other items of income			
Interest income	6	**365**	303
Other gains	7	**341**	151
Other items of expense			
Changes in inventories of finished goods		**(643)**	7,096
Purchase of goods and consumables		**(279,615)**	(319,931)
Other consumables used		**(1,200)**	(693)
Depreciation expense	14	**(4,178)**	(3,992)
Employee benefits expense	8	**(24,001)**	(24,261)
Other expenses	9	**(26,877)**	(22,709)
Other losses	7	**(874)**	(535)
Profit before tax from continuing operations		**18,430**	20,833
Income tax expense	10	**(3,411)**	(3,494)
Profit from continuing operations, net of tax		**15,019**	17,339
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, Net of tax	23	**81**	106
Available-for-sale financial assets, net of tax	23	**34**	(36)
Other comprehensive income for the year, net of tax:		**115**	70
Total comprehensive income		**15,134**	17,409
Profit attributable to owners of the parent, net of tax		**14,778**	17,111
Profit attributable to non-controlling interests, net of tax		**241**	228
Profit net of tax		**15,019**	17,339
Total comprehensive income attributable to owners of the parent		**14,893**	17,181
Total comprehensive income attributable to non-controlling interests		**241**	228
Total comprehensive income		**15,134**	17,409
Earnings per share		**Cents**	**Cents**
Earnings per share currency unit			
Basic			
Continuing operations	12	**4.28**	4.96
Diluted			
Continuing operations	12	**4.28**	4.96

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

		Group		Company	
	Notes	2014	2013	2014	2013
ASSETS		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	14	**13,755**	12,966	**13,513**	12,092
Investments in subsidiaries	15	**–**	–	**2,719**	3,619
Investment in associate	16	**–**	–	**–**	–
Other financial assets	17	**3,651**	3,880	**3,651**	3,880
Total non-current assets		**17,406**	16,846	**19,883**	19,591
Current assets					
Inventories	18	**34,480**	35,275	**34,458**	33,293
Trade and other receivables	19	**5,704**	8,356	**7,246**	10,859
Other assets	20	**5,011**	6,519	**4,786**	5,881
Cash and cash equivalents	21	**52,621**	42,946	**44,297**	35,678
Total current assets		**97,816**	93,096	**90,787**	85,711
Total assets		**115,222**	109,942	**110,670**	105,302
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	22	**18,775**	18,775	**18,775**	18,775
Retained earnings		**47,294**	41,215	**48,433**	42,202
Other reserves	23	**249**	134	**(2)**	(36)
Equity, attributable to owners of the parent		**66,318**	60,124	**67,206**	60,941
Non-controlling interests		**570**	509	**–**	–
Total equity		**66,888**	60,633	**67,206**	60,941
Non-current liabilities					
Deferred tax liabilities	10	**45**	75	**22**	22
Provisions	24	**1,631**	1,450	**1,631**	1,450
Other liabilities, non-current	25	**3,357**	2,777	**1,203**	1,140
Total non-current liabilities		**5,033**	4,302	**2,856**	2,612
Current liabilities					
Trade and other payables	26	**29,814**	30,615	**28,584**	28,669
Income tax payable		**3,352**	3,528	**3,266**	3,486
Other liabilities, current	25	**10,135**	10,864	**8,758**	9,594
Total current liabilities		**43,301**	45,007	**40,608**	41,749
Total liabilities		**48,334**	49,309	**43,464**	44,361
Total equity and liabilities		**115,222**	109,942	**110,670**	105,302

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2014

	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 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
Previous year:						
Opening balance at 1 January 2013	51,426	51,055	18,775	32,216	64	371
Movements in equity:						
Total comprehensive income for the year	17,409	17,181	–	17,111	70	228
Dividends paid (Note 13)	(8,202)	(8,112)	–	(8,112)	–	(90)
Closing balance at 31 December 2013	60,633	60,124	18,775	41,215	134	509

	Total Equity $'000	Share Capital $'000	Retained Earnings $'000	Other Reserve $'000
Company				
Current 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)
Previous year:				
Opening balance at 1 January 2013	54,366	18,775	35,591	–
Movements in equity:				
Total comprehensive income for the year	14,687	–	14,723	(36)
Dividends paid (Note 13)	(8,112)	–	(8,112)	–
Closing balance at 31 December 2013	60,941	18,775	42,202	(36)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2014

	Group	
	2014	2013
	$'000	$'000
Cash flows from operating activities		
Profit before tax	**18,430**	20,833
Adjustments for:		
Depreciation of property, plant and equipment	**4,178**	3,992
Losses on disposal of plant and equipment	**777**	190
Losses on disposal of available-for-sale financial assets	**2**	44
Losses on available-for-sale financial assets reclassified from equity to profit or loss as a reclassification adjustment, net	**6**	–
Interest income	**(365)**	(303)
Net effect of exchange rate changes in consolidating foreign operations	**93**	106
Operating cash flows before working capital changes	**23,121**	24,862
Trade and other receivables	**2,652**	(5,146)
Other assets	**1,508**	(2,859)
Inventories	**795**	(7,148)
Trade and other payables	**(801)**	7,788
Other liabilities	**(149)**	2,519
Net cash flows from operations	**27,126**	20,016
Income taxes paid	**(3,617)**	(3,444)
Net cash flows from operating activities	**23,509**	16,572
Cash flows from investing activities		
Interest received	**365**	303
Addition in available-for-sale financial assets	**–**	(5,349)
Proceeds from disposal of plant and equipment	**213**	–
Proceeds from disposal of available-for-sale financial assets	**255**	1,389
Purchase of plant and equipment	**(5,788)**	(3,861)
Net cash flows used in investing activities	**(4,955)**	(7,518)
Cash flows from financing activities		
Dividends paid to equity owners	**(8,699)**	(8,112)
Dividends paid to non-controlling interests	**(180)**	(90)
Net cash flows used in financing activities	**(8,879)**	(8,202)
Net increase in cash and cash equivalents	**9,675**	852
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	**42,946**	42,094
Cash and cash equivalents, consolidated statement of cash flows, ending balance (Note 21)	**52,621**	42,946

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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 are described in Note 15 to the financial statements. The principle place of business is in Singapore.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (Continued)

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.

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF 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.

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 agrees to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). 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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Whether an arrangement is, or contains, a lease, it is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. 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 cost 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF 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.

Business combinations

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF 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. For non-equity instruments classified as available-for-sale the reversal of impairment is recognised in profit or loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of equity and liabilities

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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.

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.

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 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $2,108,000 (2013: $818,000).

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 Note 19 on trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 24 defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the reporting entity if any of the following conditions apply: (i) The entity and the reporting entity are members of the same group. (ii) One entity is an associate or joint venture of the other entity. (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The ultimate controlling party is Mr Loo Leong Thye.

3.1 Related companies:

Related companies in these financial statements include the members of the group of companies.

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

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

3.2 Related parties other than related companies:

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 current related party balances are unsecured without fixed repayment terms and interest unless stated otherwise.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3.2 Related parties other than related companies: (Continued)

Significant related party transactions:

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

	Group	
	Other related parties	
	2014	2013
	$'000	$'000
Fees to a firm in which a director has an interest	**261**	142
Purchase of goods and services from a related party	**–**	7

3.3 Key management compensation:

	Group	
	2014	2013
	$'000	$'000
Salaries and other short-term employee benefits	**2,563**	2,885

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

	Group	
	2014	2013
	$'000	$'000
Remuneration of directors of the company	**1,121**	1,761
Remuneration of directors of the subsidiaries	**567**	323
Fees to directors of the company	**87**	81

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

Key management personnel are 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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 2014

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	Unallocated $'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	21,598	73	937	–	22,608
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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4B. Profit or loss from continuing operations and reconciliations (Continued)

	IT products and services $'000	Electronic signage $'000	Telephonic Call Centre and Data Management Services $'000	Unallocated $'000	Total $'000
Continuing operations					
2013					
Revenue by segment					
Total revenue by segment	379,991	754	4,767	–-	385,512
Inter-segment sales and services	(4)	(104)	–	–	(108)
Total revenue	379,987	650	4,767	–	385,404
Recurring EBITDA	23,972	(37)	890	–	24,825
Depreciation	(3,916)	(6)	(70)	–	(3,992)
Profit before tax from continuing operations	20,056	(43)	820	–	20,833
Income tax expense					(3,494)
Profit from continuing operations					17,339

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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
2014					
Total assets for reportable segments	**87,199**	**750**	**6,528**	**–**	**94,477**
Unallocated:					
Cash and cash equivalent	**–**	**–**	**–**	**17,094**	**17,094**
Other financial assets	**–**	**–**	**–**	**3,651**	**3,651**
Total group assets	**87,199**	**750**	**6,528**	**20,745**	**115,222**
2013					
Total assets for reportable segments	86,004	579	3,956	–	90,539
Unallocated:					
Cash and cash equivalent	–	–	–	15,523	15,523
Other financial assets	–	–	–	3,880	3,880
Total group assets	86,004	579	3,956	19,403	109,942

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4D. Liabilities and reconciliations

	IT products and services $'000	Electronic signage $'000	Telephonic Call Centre and Data Management Services $'000	Unallocated $'000	Total $'000
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**
2013					
Total liabilities for reportable segments	41,470	77	4,159	–	45,706
Unallocated:					
Deferred and current tax liabilities	–	–	–	3,603	3,603
Total group liabilities	41,470	77	4,159	3,603	49,309

4E. Other material items and reconciliations

	IT products and services $'000	Electronic signage $'000	Telephonic Call Centre and Data Management Services $'000	Unallocated $'000	Total $'000
Expenditure for non-current assets					
2014	**5,889**	**26**	**54**	**–**	**5,969**
2013	3,902	–	76	–	3,978

NOTES TO THE FINANCIAL STATEMENTS

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4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4F. Geographical information

	Revenue		Non-current Assets	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore	**351,007**	369,383	**17,306**	16,105
Malaysia	**4,105**	16,021	**–**	721
People's Republic of China	**–**	–	**100**	20
Subtotal for all foreign countries	**4,105**	16,021	**100**	741
Total continuing operations	**355,112**	385,404	**17,406**	16,846

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 and deferred tax assets.

4G. Information about major customers

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

5. REVENUE

	Group	
	2014	2013
	$'000	$'000
IT products and services	**347,221**	378,141
Electronic signage services – rendering of services	**935**	650
Rental income	**1,226**	1,846
Telephonic call centre and data management services	**5,730**	4,767
	355,112	385,404

NOTES TO THE FINANCIAL STATEMENTS

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6. INTEREST INCOME

	Group	
	2014	2013
	$'000	$'000
Interest income from financial institutions	**365**	303

7. OTHER GAINS AND (OTHER LOSSES)

	Group	
	2014	2013
	$'000	$'000
Other gains/(losses)		
Bad debts recovered – trade receivables	**–**	4
Foreign exchange adjustment losses	**(26)**	(204)
Sundry income	**52**	97
Government grant income	**289**	22
Losses on disposal of plant and equipment	**(777)**	(190)
Losses on disposal of available-for-sale financial assets	**(2)**	(44)
Losses on available-for-sale financial assets reclassified from equity to profit or loss as a reclassification adjustment, net	**(6)**	–
Inventories written off	**(61)**	(97)
Inventories (written down)/write down reversal	**(2)**	28
Net	**(533)**	(384)
Presented in profit or loss as:		
Other gains	**341**	151
Other losses	**(874)**	(535)
Net	**(533)**	(384)

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2014	2013
	$'000	$'000
Short term employee benefits expense including directors	**21,150**	21,513
Contributions to defined contribution plans	**2,851**	2,748
Total employee benefits expense	**24,001**	24,261

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9. OTHER EXPENSES

The major components include the following:

	Group	
	2014	**2013**
	$'000	**$'000**
Rental expenses (Note 29)	**17,445**	13,882
Cards surcharges	**3,541**	3,266
Advertising and promotion expenses	**1,010**	1,110

10. INCOME TAX

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

	Group	
	2014	**2013**
	$'000	**$'000**
Current tax expense:		
Current tax expense	**3,481**	3,655
Over adjustments in respect of prior periods	**(40)**	(72)
Subtotal	**3,441**	3,583
Deferred tax expense:		
Over adjustments in respect of prior periods	**(30)**	(89)
Subtotal	**(30)**	(89)
Total income tax expense	**3,411**	3,494

NOTES TO THE FINANCIAL STATEMENTS

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10. INCOME TAX (CONTINUED)

10A. Components of tax expense (income) 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% (2013: 17.0%) to profit or loss before income tax as a result of the following differences:

	Group	
	2014	**2013**
	$'000	**$'000**
Profit before tax	**18,430**	20,833
Income tax expense at the above rate	**3,133**	3,542
Expenses not deductible for tax purposes	**358**	451
Tax exemptions and credits	**(289)**	(637)
Over adjustments to tax in respect of prior periods	**(70)**	(161)
Effect of different tax rates in different countries	**(147)**	(90)
Deferred tax assets not recognised	**426**	382
Other minor items less than 3% each	**–**	7
Total income tax expense	**3,411**	3,494

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

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

	Group	
	2014	**2013**
	$'000	**$'000**
Excess of net book value of plant and equipment over tax values	**(58)**	(83)
Deferred revenue	**154**	(166)
Provision for unutilised leave	**(21)**	(20)
Unutilised capital allowance and tax losses	**(531)**	(202)
Deferred tax assets not recognised	**426**	382
Total deferred tax income recognised in profit or loss	**(30)**	(89)

NOTES TO THE FINANCIAL STATEMENTS

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10. INCOME TAX (CONTINUED)

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Deferred tax liabilities:				
Excess of net book value of plant and equipment over tax values	**(568)**	(626)	**(544)**	(574)
Total deferred tax liabilities	**(568)**	(626)	**(544)**	(574)
Deferred tax assets:				
Deferred revenue	**864**	1,018	**864**	1,018
Provision for unutilised leave	**41**	20	**41**	20
Unutilised capital allowance and tax losses	**1,314**	783	**–**	–
Deferred tax assets not recognised	**(1,696)**	(1,270)	**(383)**	(486)
Total deferred tax assets	**523**	551	**522**	552
Net total of deferred tax liabilities	**(45)**	(75)	**(22)**	(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 $3,979,000 (2013: $1,136,000) and $1,816,000 (2013: $1,997,000), 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 $607,000 which is related to a subsidiary in the People's Republic of China, whereby the unutilised tax losses carryforwards could only be carried forward for a period of 5 years from the date in which the losses were incurred. These unutilised tax losses would expire in 2019.

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	
	2014	2013
	$'000	$'000
Audit fees to independent auditor of the company	**105**	91
Audit fees to other independent auditors	**5**	10
Other fees to the independent auditor of the company	**16**	26
Other fees to the other independent auditors	**1**	3

NOTES TO THE FINANCIAL STATEMENTS

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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	
	2014	**2013**
	$'000	**$'000**
Numerators: Earnings attributable to equity:		
Continuing operations: Attributable to equity holders	**14,778**	17,111
	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.

13. DIVIDENDS ON EQUITY SHARES

	Group and Company			
	Rate per share – cents			
	2014	**2013**	**2014**	**2013**
			$'000	**$'000**
Final tax exempt (1-tier) dividend paid	**1.42**	1.25	**4,902**	4,315
Interim exempt (1-tier) dividend paid	**1.1**	1.1	**3,797**	3,797
Total dividends paid in the year			**8,699**	8,112

In respect of the current reporting year, the directors propose that a final dividend of 1.25 cents per share with a total of $4,315,100 be paid to shareholders after the Annual General Meeting to be held on 28 April 2015. 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.

NOTES TO THE FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Property $'000	Renovation $'000	Plant & Equipment $'000	Total $'000
Cost:				
At 1 January 2013	7,200	4,641	11,690	23,531
Foreign exchange adjustments	–	(24)	(15)	(39)
Additions	–	1,625	2,353	3,978
Disposals	–	(111)	(421)	(532)
At 31 December 2013	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
Accumulated depreciation:				
At 1 January 2013	1,108	2,463	6,790	10,361
Foreign exchange adjustments	–	(16)	(23)	(39)
Depreciation for the year	277	1,211	2,504	3,992
Disposals	–	(73)	(269)	(342)
At 31 December 2013	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
Carrying value:				
At 1 January 2013	6,092	2,178	4,900	13,170
At 31 December 2013	5,815	2,546	4,605	12,966
At 31 December 2014	5,538	3,335	4,882	13,755

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold Property $'000	Renovation $'000	Plant & Equipment $'000	Total $'000
Cost:				
At 1 January 2013	7,200	3,851	9,447	20,498
Additions	–	1,590	2,219	3,809
Disposals	–	(70)	(261)	(331)
At 31 December 2013	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
Accumulated depreciation:				
At 1 January 2013	1,108	1,941	5,552	8,601
Depreciation for the year	277	1,100	2,195	3,572
Disposals	–	(64)	(225)	(289)
At 31 December 2013	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
Carrying value:				
At 1 January 2013	6,092	1,910	3,895	11,897
At 31 December 2013	5,815	2,394	3,883	12,092
At 31 December 2014	5,538	3,256	4,719	13,513

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/(2500 square metres)	Industrial building/ Not revalued

NOTES TO THE FINANCIAL STATEMENTS

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15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	$'000	$'000
Unquoted equity shares at cost:		
Balance at beginning of the year	**3,619**	2,482
Acquisitions	**–**	1,529
Less: Allowance for impairment	**(900)**	(392)
Cost at the end of the year	**2,719**	3,619

	Company	
	2014	2013
	$'000	$'000
Movements in allowance for impairment:		
Balance at beginning of the year	**2,009**	1,617
Impairment loss charge to profit or loss included in other losses	**900**	392
Balance at end of the year	**2,909**	2,009

For the reporting year ended 31 December 2014, the Company had fully impaired the cost of investment in Challenger Mobile Pte Ltd (formerly known as Valore Retail Pte. Ltd.), which incurred significant losses. The subsidiary ceased operations during the reporting year 2014.

For the reporting year ended 31 December 2013, the Company had fully impaired the cost of investment in Challenger Technologies (M) Sdn Bhd which has ceased operations in Malaysia.

The decreasing performance of Challenger Mobile Pte. Ltd. (2013: Challenger Technologies (M) Sdn Bhd) was considered sufficient evidence to trigger the impairment test. Accordingly it has been written down to the recoverable amount.

	Company	
	2014	2013
	$'000	$'000
Analysis of amount denominated in non-functional currencies:		
Malaysian Ringgit	**818**	818
Hong Kong Dollar	**238**	238

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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	
	2014	2013	2014	2013
	$'000	$'000	%	%
CBD eVision Pte Ltd [a] Singapore Electronic signage business	**1,500**	1,500	**100**	100
Valore Lifestyle Pte. Ltd. [a] Singapore Provision of IT products and services	**685**	685	**100**	100
Challenger Mobile Pte. Ltd. [a] (formerly known as Valore Retail Pte. Ltd.) Singapore IT maintenance and technical support services	**1,000**	1,000	**100**	100
InCall Systems Pte. Ltd. [a] Singapore Telephonic call centre and data management services	**887**	887	**70**	70
Challenger Holding (HK) Private Limited [c] Hong Kong Investment holding	**238**	238	**100**	100
Challenger eCommerce Pte. Ltd. [a] Singapore Dormant	**500**	500	**100**	100
Challenger Technologies (M) Sdn. Bhd. [b] Malaysia Dormant (Douglas Loh & Associates)	**818**	818	**100**	100
	5,628	5,628		

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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 2014 $'000	2013 $'000	Effective percentage of equity held 2014 %	2013 %
Held through Challenger Holding (HK) Private Limited				
Valore (Shanghai) Limited [c] People's Republic of China Dormant	**309**	309	**100**	100
Valore (Shenzhen) Private Limited [b] People's Republic of China Procurement of IT products (Shenzhen XingYuan Certified Public Accountants)	**2,145**	308	**100**	100

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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16. INVESTMENT IN ASSOCIATE

	Group		Company	
	2014	2013	2014	2013
	$'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 associates, country of incorporation, place of operations and principal activities	Percentage of equity held by group	
	2014	2013
	%	%
Challenger Infortech (Beijing) Co., Ltd [(a)]		
People's Republic of China		
Provision of software and installation services	**40**	40

(a) The accounts of the associate for the reporting year ended 31 December 2014 and 31 December 2013 were not available. The group has recognised its share of loss up to the cost of investment totalling $311,000 (2013: $311,000) which is not material to the group. The associate is currently dormant.

17. OTHER FINANCIAL ASSETS

	Group and Company	
	2014	2013
	$'000	$'000
Balance is made up of:		
Investments available-for-sale at fair value through other comprehensive income ("FVTOCI")	**3,651**	3,880

NOTES TO THE FINANCIAL STATEMENTS

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17. OTHER FINANCIAL ASSETS (CONTINUED)

17A. Movements in other financial assets

	Group and Company	
	2014	**2013**
	$'000	**$'000**
Movements during the year:		
Fair value at beginning of the year	**3,880**	–
Additions	**–**	5,349
Disposals	**(263)**	(1,433)
Increase (decrease) in fair value through other comprehensive income	**34**	(36)
Fair value at end of the year	**3,651**	3,880

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

		Group and Company	
	Level	**2014**	**2013**
		$'000	**$'000**
Debt securities investments:			
Quoted corporate bonds in Singapore			
Real estate industry	1	**523**	521
Unquoted corporate bonds in Singapore			
Real estate industry	2	**1,574**	1,563
Transport and logistics industry	2	**510**	517
Banking industry	2	**265**	514
Travel and lodging industry	2	**517**	508
Financial services industry	2	**262**	257
Subtotal		**3,128**	3,359
Total Investments available-for-sale at FVTOCI		**3,651**	3,880

The rate of interest for the interest earning bonds is ranged between 3.8% to 5.5% (2013: 3.8% to 5.5%) per annum.

17. OTHER FINANCIAL ASSETS (CONTINUED)

17B. Disclosures relating to investments (Continued)

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

	Group and Company	
	2014	2013
	$'000	$'000
After 3 years	**2,621**	3,880

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 both currency risk and market price risk arising from uncertainties about future values of the investment securities. Sensitivity analysis: The effect is as follows:

	Group and Company	
	2014	2013
	$'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 market index of unquoted corporate bonds would have an effect on pre-tax profit of	**313**	336

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

This figure does not reflect the currency risk, which has been considered in the foreign currency risks analysis section only. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

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18. INVENTORIES

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Goods for resale	**34,480**	35,275	**34,458**	33,293
Inventories are stated after allowance.				
Movements in allowance:				
Balance at beginning of the year	**22**	50	**22**	50
Charged/(reversed) to profit or loss included in (other credits) other charges	**2**	(28)	**2**	(28)
Balance at end of the year	**24**	22	**24**	22
The write-downs of inventories charged to profit or loss included in other charges	**61**	97	**41**	50

There are no inventories pledged as security for liabilities.

In 2013, the reversal of the allowance is for goods with an estimated increase in net realisable value.

19. TRADE AND OTHER RECEIVABLES

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Trade receivables:				
Outside parties	**3,979**	5,198	**3,292**	4,369
Subsidiaries (Note 3)	**–**	–	**1,153**	122
Less Allowance for impairment	**–**	–	**(954)**	–
Subtotal	**3,979**	5,198	**3,491**	4,491
Other receivables:				
Subsidiaries (Note 3)	**–**	–	**7,067**	6,222
Less Allowance for impairment	**–**	–	**(4,591)**	(3,000)
Advance payments to suppliers	**1,240**	3,098	**1,240**	3,098
Other receivables	**485**	60	**39**	48
Subtotal	**1,725**	3,158	**3,755**	6,368
Total trade and other receivables	**5,704**	8,356	**7,246**	10,859
Movements in above allowance:				
Balance at beginning of the year	**–**	–	**(3,000)**	–
Charge to profit or loss included under other losses	**–**	–	**(2,545)**	(3,000)
Balance at end of the year	**–**	–	**(5,545)**	(3,000)

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20. OTHER ASSETS

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Deposits to secure services	**4,758**	6,297	**4,581**	5,727
Prepayments	**253**	222	**205**	154
	5,011	6,519	**4,786**	5,881

21. CASH AND CASH EQUIVALENTS

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Not restricted in use	**52,621**	42,946	**44,297**	35,678
Interest earning balances	**17,094**	15,523	**17,094**	14,023

The rates of interest for the cash on interest earning balances ranged between 0.30% and 1.35% (2013: 0.30% and 1.20%) per annum.

22. SHARE CAPITAL

	Group and Company Number of shares issued '000	Group and Company Share capital $'000
Ordinary shares of no par value:		
Balance at 1 January 2013, 31 December 2013 and 31 December 2014	**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 Stock 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.

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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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Foreign currency translation reserve (Note 23A)	**251**	170	**–**	–
Available-for-sale financial assets reserve (Note 23B)	**(2)**	(36)	**(2)**	(36)
Total at the end of the year	**249**	134	**(2)**	(36)

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.

NOTES TO THE FINANCIAL STATEMENTS

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23. OTHER RESERVES (CONTINUED)

23A. Foreign currency translation reserve

	Group	
	2014	**2013**
	$'000	**$'000**
At beginning of the year	**170**	64
Exchange differences on translating foreign operations	**81**	106
At end of the year	**251**	170

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	
	2014	**2013**
	$'000	**$'000**
At beginning of the year	**(36)**	–
Gains/(losses) on remeasuring available-for-sale financial assets	**34**	(36)
At end of the year	**(2)**	(36)

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.

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	
	2014	**2013**
	$'000	**$'000**
Movement in above provision:		
Balance at beginning of the year	**1,450**	1,333
Additions – included in property, plant and equipment	**298**	183
Used	**(117)**	(66)
Balance at end of the year	**1,631**	1,450

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

24. PROVISIONS, NON-CURRENT (CONTINUED)

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		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Non-current:				
Membership fees (Note 25A)	**1,203**	1,140	**1,203**	1,140
Star Shield warranty (Note 25B)	**2,154**	1,637	**–**	–
Total non-current deferred revenue	**3,357**	2,777	**1,203**	1,140
Current:				
Membership fees (Note 25A)	**3,614**	3,531	**3,614**	3,531
Star Shield warranty (Note 25B)	**1,377**	1,229	**–**	–
Customer loyalty programme (Note 25C)	**5,079**	6,031	**5,079**	5,990
Customer vouchers	**65**	73	**65**	73
Total current deferred revenue	**10,135**	10,864	**8,758**	9,594

25A. Membership fees

The group operates 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	
	2014	2013
	$'000	$'000
Revenue deferred relating to membership fees:		
Balance at beginning of the year	**4,671**	4,082
Revenue deferred in respect of membership fees received	**5,012**	4,908
Revenue recognised on a time-proportion basis	**(4,866)**	(4,319)
Balance at end of the year	**4,817**	4,671
Presented in the statements of financial position:		
Non-current	**1,203**	1,140
Current	**3,614**	3,531
Total	**4,817**	4,671

25. OTHER LIABILITIES (CONTINUED)

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	
	2014	**2013**
	$'000	**$'000**
Revenue deferred relating to Star Shield Warranty:		
Balance at beginning of the year	**2,866**	1,937
Revenue deferred in respect of warranty monies received	**1,909**	1,791
Revenue recognised on a time-proportion basis	**(1,244)**	(862)
Balance at end of the year	**3,531**	2,866
Presented in the statements of financial position as:		
Non-current	**2,154**	1,637
Current	**1,377**	1,229
Total	**3,531**	2,866

25C. Customer loyalty programme

The group operates 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		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Revenue deferred relating to customer loyalty programme:				
Balance at beginning of the year	**6,031**	5,009	**5,990**	5,009
Revenue deferred in respect of award credits earned	**3,415**	4,377	**3,415**	4,336
Revenue recognised on discharge of obligations for award credits	**(4,367)**	(3,355)	**(4,326)**	(3,355)
Balance at end of the year	**5,079**	6,031	**5,079**	5,990

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	**27,888**	29,245	**26,999**	26,767
Subsidiaries (Note 3)	**–**	–	**413**	439
Subtotal	**27,888**	29,245	**27,412**	27,206
Other payables:				
Subsidiaries (Note 3)	**–**	–	**–**	731
Advances paid	**758**	894	**6**	271
Deposits received	**1,147**	442	**1,147**	442
Other payables	**21**	34	**19**	19
Subtotal	**1,926**	1,370	**1,172**	1,463
Total trade and other payables	**29,814**	30,615	**28,584**	28,669

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

27A. Classification of financial assets and liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting year by FRS 39 categories:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	**52,621**	42,946	**44,297**	35,678
Loans and receivables	**5,704**	8,356	**7,246**	10,859
Available-for-sale financial assets	**3,651**	3,880	**3,651**	3,880
At end of the year	**61,976**	55,182	**55,194**	50,417

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27A. Classification of financial assets and liabilities (Continued)

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Financial liabilities:				
Trade and other payables measured at amortised cost	**29,814**	30,615	**28,584**	28,669
At end of the year	**29,814**	30,615	**28,584**	28,669

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.
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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

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 (2013: 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	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables:				
61 to 90 days	**56**	188	**28**	58
Over 90 days	**93**	142	**97**	53
Total	**149**	330	**125**	111

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'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	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Top 1 customer	**193**	274	**158**	67
Top 2 customers	**369**	487	**294**	115
Top 3 customers	**506**	554	**355**	160

Available-for-sale financial assets: these were investments in corporate bonds with maturity dates. The summary of the maturity dates are disclosed in Note 17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

Group:	Less than 1 year $'000
Non-derivative financial liabilities:	
2014:	
Trade and Other Payables	**29,814**
At end of the year	**29,814**
2013:	
Trade and Other Payables	30,615
At end of the year	30,615

Company:	
Non-derivative financial liabilities:	
2014:	
Trade and Other Payables	**28,584**
At end of the year	**28,584**
2013:	
Trade and Other Payables	28,669
At end of the year	28,669

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27E. Liquidity risk – financial liabilities maturity analysis (Continued)

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 paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 days (2013: 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. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows. In addition, the financial assets are held for which there is a liquid market and that are readily available to meet liquidity needs.

Bank facilities:	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Undrawn borrowing facilities	**57,149**	61,280	**57,049**	60,930
Unused bank guarantees	**9,919**	1,957	**9,669**	1,707

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 unquoted corporate bonds are not significant.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27G. Foreign currency risks

Analysis of amounts denominated in major non-functional currency:

Group	Chinese Renminbi $'000	Malaysian Ringgit $'000	United States Dollar $'000	Total $'000
2014:				
Financial assets:				
Cash	**21**	**–**	**219**	**240**
Loans and receivables	**–**	**–**	**70**	**70**
At end of the year	**21**	**–**	**289**	**310**
Net financial assets at end of the year	**21**	**–**	**289**	**310**
2013:				
Financial assets:				
Cash	20	–	33	53
Loans and receivables	2,232	–	301	2,533
At end of the year	2,252	–	334	2,586
Net financial assets at end of the year	2,252	–	334	2,586

Company	Chinese Renminbi $'000	Malaysian Ringgit $'000	United States Dollar $'000	Total $'000
2014:				
Financial assets:				
Cash	**21**	**–**	**161**	**182**
Loans and receivables	**–**	**–**	**–**	**–**
At end of the year	**21**	**–**	**161**	**182**
Net financial assets at end of the year	**21**	**–**	**161**	**182**
2013:				
Financial assets:				
Cash	20	–	33	53
Loans and receivables	2,354	2,627	301	5,282
At end of the year	2,374	2,627	334	5,335
Net financial assets at end of the year	2,374	2,627	334	5,335

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27G. Foreign currency risks (Continued)

Sensitivity analysis:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against Chinese Renminbi with all other variables held constant would have an adverse effect on profit before tax of	**(2)**	(225)	**(2)**	(237)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against Malaysian Ringgit with all other variables held constant would have an adverse effect on profit before tax of	**–**	–	**–**	(263)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against United States dollar with all other variables held constant would have an adverse effect on profit before tax of	**(29)**	(33)	**(16)**	(33)

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in the future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27H. Equity price risk

There are investments in debt securities or similar instruments. 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. CAPITAL COMMITMENTS

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Commitments to purchase plant and equipment	–	580	–	580

29. OPERATING LEASE PAYMENT COMMITMENTS

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**	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Not later than one year	**15,483**	15,280	**15,410**	14,658
Later than one year and not later than five years	**16,774**	22,517	**16,768**	22,049
Rental expense for the year (Note 9)	**17,445**	13,882	**15,517**	12,714

Operating lease payments represent rentals payable by the group for its retail outlets and office space. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

30. OPERATING LEASE INCOME COMMITMENTS

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	
	2014	2013
	$'000	$'000
Not later than one year	**309**	938
Rental income for the year (Note 5)	**1,226**	1,846

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.

31. CONTINGENT LIABILITIES

	Company	
	2014	2013
	$'000	$'000
Corporate guarantee given to bank in favour of a subsidiary	**350**	350
Corporate guarantee given to suppliers in favour of a subsidiary	**–**	1,380
Undertaking to support subsidiaries with deficits	**5,787**	3,364

32. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 27	Consolidated and Separate Financial Statements (Amendments)
FRS 27	Separate Financial Statements (Revised)
FRS 28	Investments in Associates and Joint Ventures (Revised)
FRS 36	Amendments to FRS 36: Recoverable Amount Disclosures for Non-Financial Assets (relating to goodwill) (*)
FRS 39	Amendments to FRS 39: Novation of Derivatives and Continuation of Hedge Accounting (*)
FRS 110	Consolidated Financial Statements
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112
FRS 111	Joint Arrangements (*)
FRS 112	Disclosure of Interests in Other Entities (*)
INT FRS 121	Levies (*)

(*) Not relevant to the entity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

33. FUTURE CHANGES IN FINANCIAL REPORTING STANDARDS

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the 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 19	Amendments To FRS 19: Defined Benefit Plans: Employee Contributions	1 Jul 2014
	Improvements to FRSs (Issued in January 2014). Relating to Share-based Payment (*)	1 Jul 2014
FRS 102	Business Combinations	
FRS 103	Operating Segments	
FRS 108	Fair Value Measurement	
FRS 113	Property, Plant and Equipment	
FRS 16	Related Party Disclosures	
FRS 24	Intangible Assets (*)	
FRS 38		
	Improvements to FRSs (Issued in February 2014). Relating to Business Combinations	1 Jul 2014
FRS 103	Fair Value Measurement	
FRS 113	Investment Property (*)	
FRS 40		
FRS 114	Regulatory Deferral Accounts (*)	1 Jan 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Financial Statements	1 Jan 2016
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016
FRS 16, FRS 41	Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants (*)	1 Jan 2016
FRS 111	Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations (*)	1 Jan 2016
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (*)	1 Jan 2016
Various	Improvements to FRSs (November 2014)	1 Jan 2016
FRS 115	Revenue from Contracts with Customers Illustrative Examples	1 Jan 2017
FRS 109	Financial Instruments	1 Jan 2018

(*) Not relevant to the entity.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014

34. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements. The reclassifications included the following:

	After reclassification $'000	Before reclassification $'000	Difference $'000
Provisions, non-current	1,450	–	1,450
Trade and other payables	28,669	30,119	(1,450)

The reclassifications were made so as to disclose the provisions, non-current balances from the trade and other payables. The reclassifications do not have any significant impact to the prior year's presentation in the statement of financial position.

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2015

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	75	7.94	2,003	0.00
100 – 1,000	67	7.09	51,584	0.02
1,001 – 10,000	342	36.19	1,634,491	0.47
10,001 – 1,000,000	440	46.56	34,290,423	9.93
1,000,001 and above	21	2.22	309,229,460	89.58
TOTAL	**945**	**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	84,067,500	24.35
3	Ong Sock Hwee	33,494,950	9.70
4	DB Nominees (Singapore) Pte Ltd	9,159,000	2.65
5	Lim Yew Hoe	5,377,950	1.56
6	Wang Tong Peng @ Wang Tong Pang	2,915,099	0.84
7	DBS Nominees (Private) Limited	2,901,557	0.84
8	Citibank Nominees Singapore Pte Ltd	2,666,400	0.77
9	Loo Pei Fen (Lu Peifen)	2,611,000	0.76
10	United Overseas Bank Nominees (Private) Limited	1,901,286	0.55
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	1,615,399	0.47
14	Lau Chee Peng	1,468,070	0.43
15	Loh Tee Yang	1,459,499	0.42
16	Ng Kwong Chong	1,387,000	0.40
17	Hong Leong Finance Nominees Pte Ltd	1,328,500	0.38
18	Raffles Nominees (Pte) Limited	1,315,000	0.38
19	Kelly Ronan Philip	1,299,000	0.38
20	Wong Tong Liew	1,250,000	0.36
	Total	**308,029,460**	**89.22**

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2015

SUBSTANTIAL SHAREHOLDERS AS AT 20 MARCH 2014

	Direct interest		Deemed interest	
Name of shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Loo Leong Thye	148,324,250	42.97%	36,139,700	10.47%
Ng Leong Hai	84,067,500	24.35%	–	–
Ong Sock Hwee	33,494,950	9.70%	–	–

* Mr Loo Leong Thye is deemed to be interested in the 2,644,750 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 16 March 2015, approximately 21.29% 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 Tuesday, 28 April 2015 at 10.00 a.m. for the following purposes:–

AS ORDINARY BUSINESS:

1. To receive and adopt the audited accounts for the financial year ended 31 December 2014 together with the reports of the Directors and Auditors, and the Statement of Directors. **(Resolution 1)**

2. To declare a final tax exempt (one-tier) dividend of 1.25 cent per ordinary share for the financial year ended 31 December 2014. **(Resolution 2)**

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

   (a) Mr Loo Leong Thye **(Resolution 3)**
   (b) Ms Tan Chay Boon **(Resolution 4)**

   [See Explanatory Note (1)]

4. To approve the payment of Directors' fees of S$97,000 for the financial year ending 31 December 2015, 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.

NOTICE OF 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 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 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 2015

NOTICE OF
ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

(1) Mr Loo Leong Thye will, upon re-election as a Director of the Company, remain as the Executive Director & Chief Executive Officer of the Company.

Ms Tan Chay Boon will, upon re-election as a Director of the Company, remain as the member of the Audit Committee, the Nominating Committee and the Remuneration Committee, and the Board considers her 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 of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.

(ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) 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.

(iv) 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 48 hours before the time appointed for holding the above Meeting.

(v) 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 (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

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 Tuesday, 28 April 2015 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 Accounts for the financial year ended 31 December 2014 together with the reports of the Directors and Auditors, and Statement of Directors.		
2	Payment of proposed final tax exempt (one-tier) dividend of 1.25 cent per ordinary share for the financial year ended 31 December 2014.		
3	Re-election of Mr Loo Leong Thye as a Director.		
4	Re-election of Ms Tan Chay Boon as a Director.		
5	Approval of Directors' fees amounting to S$97,000 for the financial year ending 31 December 2015 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 (v) within the box provided.

Dated this __________ day of ________________ 2015.

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 entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

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

4. 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 130A of the Companies Act, Chapter 50, 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.

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

6. 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.

7. 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.

8. 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 the Meeting dated 13 April 2015.

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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.