**Phillip Research Team**

☎ 65-6531 1295
FAX 65-6536 4435
✉ research@phillip.com.sg

Recommendation:**BUY**

Previous call: Buy

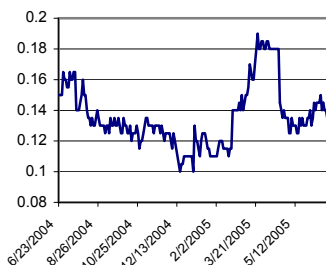
Price

Previous close :S\$0.135
Target :S\$0.205

Share Statistics

Shares	153.5m
Market Cap.	\$20.7m
Trailing PER	7.2x
Forward 2005 PER	7.5x
Forward 2006 PER	7.4x
P/NTA	1.4x
52-week Price Range	\$0.10-\$0.19
52-week PER Range	5.3x – 10.1x
Listing Bourse	SGX Sesdaq
Major Shareholders	Mr Loo Leong Thye (42.80%) Mr Ng Leong Hai (24.64%) Mdm Ong Sock Hwee (9.13%)

Source: Bloomberg; Phillip Securities Research

Price Chart**Company Profile**

Challenger Technologies Ltd is a retailer of IT products, which has two superstores and two small format outlets in Singapore. Challenger offers a diverse range of IT products and services. It also invests in electronic signage and anti-virus businesses

Challenger Technologies Ltd

Singapore

24 June 2005

In the last quarter, Challenger made three announcements relating to its investments in subsidiaries and associated companies.

Increase investment in Challenger Technologies (M'sia) Sdn Bhd

Challenger invested an additional RM400,000 in Challenger Technologies (M'sia) Sdn Bhd. ("CTM"). Challenger now has a 96% equity stake in the subsidiary. CTM was set up to penetrate the Malaysian market. Currently, the group is in the process of searching for a local partner.

Investment in NCL Solutions Sdn Bhd

Challenger invested an additional RM25,000 for a 25% stake in NCL Solutions Sdn Bhd ("NCL"). NCL is principally engaged in the provision of computer software to schools in Malaysia. This small investment is not expected to have much impact on the group's profit.

Disposal of shares in OA Supplies Pte Ltd

As mentioned in our previous report, Challenger intended to dispose of its share in OA Supplies Pte Ltd ("OA") due to a divergence in business strategies between Challenger and OA. The disposal was completed on 21 April. As the group has already made provision for the impaired investment in FY2004, there will be little impact on the FY2005 financials.

Still a dividend play; Re-iterate 'Buy' call

The company is now taking concrete steps to penetrate the Malaysian markets. We lower our forecast for dividend payout to 1.5 cents in anticipation of funds being channeled to the Malaysia subsidiary. The gross dividend yield is still an attractive 11%.

Otherwise, there is no change in the valuation in the company. We re-iterate our 'Buy' call with a target price of \$0.205.

Key Financial Data(Financial Year Ended 31st December)

	FY04	FY05F	FY06F
Turnover (S\$ m)	75.5	71.9	74.0
EBIT (S\$ m)	3.1	3.4	3.5
Net Profit (S\$ m)	2.9	2.8	2.8
Net Profit Margin (%)	3.8	3.9	3.9
ROE (%)	19.7	20.3	19.2
EPS (cents)	1.87	1.80	1.83
P/E (x)	7.2	7.5	7.4
Book value per share (cents)	9.5	8.9	9.5
P/Bk (x)	1.4	1.5	1.4
FCF per share	2.1	1.4	1.6
P/FCF (x)	6.5	9.5	8.2
Gross Dividend per share (cents)	3.7	1.5	1.5
Gross Div Yield (%)	27.4	11.1	11.1

CWC
Signed

Phillip Research Stock Selection Systems

BUY	>15% upside from the current price
HOLD	Trade within \pm 15% from the current price
SELL	>15% downside from the current price

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PhillipCapital – Regional Member Companies

SINGAPORE

Phillip Securities Pte Ltd

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel : (65) 6533 6001
Fax : (65) 6535 6631
Website : www.poems.com.sg

MALAYSIA

Phillip Capital Management Sdn Bhd

B-2-6 Megan Phileo Avenue
12 Jln Yap Kwan Seng
50450 Kuala Lumpur
Tel : (603) 2166 8099
Fax : (603) 2166 5099
Website : www.poems.com.my

HONG KONG

Phillip Securities (HK) Ltd

11-12/F United Centre
95 Queensway, Hong Kong
Tel : (852) 2277 6600
Fax : (852) 2868 5307
Website : www.poems.com.hk

THAILAND

Phillip Securities (Thailand) Public Co Ltd

15/F, Vorawat Building
849 Silom Road
Bangkok Thailand 10500
Tel : (622) 635 7100
Fax : (622) 635 1616
Website : www.poems.in.th

JAPAN

The Naruse Securities Co Ltd

4-2, Nihonbashi Kabutocho
Chuo Ku, Tokyo
Japan 103-0026
Tel : (81) 03-3666-2101
Fax : (81) 03-3664-0141
Website : www.naruse-sec.co.jp

UNITED KINGDOM

Phillip Securities (UK) Ltd

3rd Floor Mansell Street
London E1 8AN
Tel : (44) 207 553 8280
Fax : (44) 207 954 9910
Website : www.phillip-uk.com