

**Challenger  
Technologies  
Limited**



**HALF YEAR FINANCIAL STATEMENT  
AND DIVIDEND ANNOUNCEMENT  
FOR THE FINANCIAL PERIOD ENDED  
30 JUNE 2010**

Co Reg No: 198400182 K

CHALLENGER TECHNOLOGIES LIMITED

**HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2010**

- 1(a) A consolidated statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

**Consolidated Statement of Comprehensive Income**

|   | Group               |                     | Change<br>% |
|---|---------------------|---------------------|-------------|
|   | 6 months ended      |                     |             |
|   | 30.6.2010<br>\$'000 | 30.6.2009<br>\$'000 |             |
| <b>Revenue</b>  | 104,016             | 92,538              | 12          |
| Changes in inventories  | (345)               | 3,929               | (109)       |
| Cost of goods purchased   | (81,425)            | (75,582)            | 8           |
| Other consumables used  | (225)               | (200)               | 13          |
| <b><u>Other Items of Income</u></b>   |                     |                     |             |
| Interest Income   | 79                  | 140                 | (44)        |
| Dividend income   | 15                  | 33                  | (55)        |
| Other Credits [note (A)]  | 100                 | 1,265               | (92)        |
| <b><u>Other Items of Expense</u></b>  |                     |                     |             |
| Depreciation expense  | (1,179)             | (1,450)             | (19)        |
| Employee Benefits Expense   | (7,258)             | (6,742)             | 8           |
| Finance Costs   | -                   | -                   | N.M.        |
| Other Expenses [note (B)]   | (6,482)             | (6,237)             | 4           |
| Other Charges [note (A)]  | (158)               | (99)                | 60          |
| <b>Profit Before Tax from Continuing Operations</b>   | <u>7,138</u>        | <u>7,595</u>        | (6)         |
| Income Tax Expenses   | <u>(1,263)</u>      | <u>(1,505)</u>      | (16)        |
| <b>Profit Net of Tax</b>  | <u><u>5,875</u></u> | <u><u>6,090</u></u> | (4)         |
| <b>Other Comprehensive Income:</b>  |                     |                     |             |
| Exchange difference on translating foreign operations, Net of tax                           | (55)                | 2                   | (2,850)     |
| <b>Other Comprehensive Income for the Year, Net of Tax</b>                                  | <u>(55)</u>         | <u>2</u>            |             |
| <b>Total Comprehensive Income for The Period</b>  | <u><u>5,820</u></u> | <u><u>6,092</u></u> | (4)         |
| <b>Profit Attributable to Equity holders of the Company, Net of Tax</b>                     | 5,794               | 6,042               | (4)         |
| <b>Profit Attributable to Non-controlling Interest, Net of Tax</b>                          | 81                  | 48                  | 69          |
|   | <u>5,875</u>        | <u>6,090</u>        | (4)         |
| <b>Total Comprehensive Income Attributable to Equity holders of the Company, Net of Tax</b> | 5,739               | 6,042               | (5)         |
| <b>Profit Attributable to Non-controlling Interest, Net of Tax</b>                          | 81                  | 48                  | 69          |
|   | <u>5,820</u>        | <u>6,090</u>        | (4)         |
| <b>Note:</b>  |                     |                     |             |
| <b>Profit before income tax is arrived after charging/ (crediting) the followings:</b>      |                     |                     |             |
| <b><u>Note (A) - Other (Charges) / Credits</u></b>  |                     |                     |             |
| Foreign exchange adjustment (loss) / gain   | (157)               | 913                 | (117)       |
| Sundry income   | 100                 | 328                 | (70)        |
| Loss on disposal of plant and equipment   | (1)                 | (68)                | (99)        |
| Gain on disposal of quoted share investment   | -                   | 14                  | N.M.        |
| Inventories written off   | -                   | (31)                | N.M.        |
| Provision for inventories   | -                   | 10                  | N.M.        |
|   | <u>(58)</u>         | <u>1,166</u>        | (105)       |
| Presented in the income statement as:   |                     |                     |             |
| Other Credits   | 100                 | 1,265               | (92)        |
| Other Charges   | (158)               | (99)                | 60          |
|   | <u>(58)</u>         | <u>1,166</u>        | (105)       |
| <b><u>Note (B) - Other Expenses</u></b>   |                     |                     |             |
| Rental expenses   | (4,118)             | (3,914)             | 5           |
| Other operating expenses  | (1,146)             | (1,257)             | (9)         |
| Selling and distribution costs  | (1,218)             | (1,066)             | 14          |
|   | <u>(6,482)</u>      | <u>(6,237)</u>      | 4           |

N.M. = not meaningful

CHALLENGER TECHNOLOGIES LIMITED

**HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2010**

**1(b)(i) Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

**Statement of Financial Position**

|   | Group                |                      | Company              |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 30.06.2010<br>\$'000 | 31.12.2009<br>\$'000 | 30.06.2010<br>\$'000 | 31.12.2009<br>\$'000 |
| <b>ASSETS</b>                                 |                      |                      |                      |                      |
| <b>Non-Current Assets</b>                     |                      |                      |                      |                      |
| Investment in Associates                      | -                    | -                    | -                    | -                    |
| Investment in Subsidiaries                    | -                    | -                    | 2,182                | 1,682                |
| Deferred tax assets                           | 107                  | 107                  | 107                  | 107                  |
| Other Financial Asset, Non-Current            | 2,606                | 2,611                | 2,526                | 2,611                |
| Property, Plant and Equipment, Total          | 11,163               | 11,119               | 10,197               | 10,242               |
| <b>Total Non-Current Assets</b>               | <b>13,876</b>        | <b>13,837</b>        | <b>15,012</b>        | <b>14,642</b>        |
| <b>Current Assets</b>                         |                      |                      |                      |                      |
| Cash and Cash Equivalents                     | 18,473               | 19,446               | 15,071               | 15,865               |
| Trade and Other Receivables, Current          | 2,527                | 2,933                | 6,077                | 5,449                |
| Other Assets, Current                         | 3,092                | 2,329                | 2,032                | 1,864                |
| Inventories                                   | 15,051               | 15,368               | 13,354               | 13,673               |
| <b>Total Current Assets</b>                   | <b>39,143</b>        | <b>40,076</b>        | <b>36,534</b>        | <b>36,851</b>        |
| <b>Total Assets</b>                           | <b>53,019</b>        | <b>53,913</b>        | <b>51,546</b>        | <b>51,493</b>        |
| <b>LIABILITIES</b>                            |                      |                      |                      |                      |
| <b>Equity</b>                                 |                      |                      |                      |                      |
| Share Capital                                 | 18,775               | 18,661               | 18,775               | 18,661               |
| Retained Earnings                             | 10,114               | 7,311                | 11,780               | 7,917                |
| Other Reserve, Total                          | 259                  | 314                  | 319                  | 319                  |
| <b>Equity, Attributable to Equity Holders</b> | <b>29,148</b>        | <b>26,286</b>        | <b>30,874</b>        | <b>26,897</b>        |
| Non-controlling Interest                      | 283                  | 262                  | -                    | -                    |
| <b>Total Equity</b>                           | <b>29,431</b>        | <b>26,548</b>        | <b>30,874</b>        | <b>26,897</b>        |
| <b>Non-Current Liabilities</b>                |                      |                      |                      |                      |
| Deferred Tax Liabilities                      | 154                  | 148                  | -                    | -                    |
| Other Liabilities, Non-Current                | 2,029                | 1,527                | 838                  | 464                  |
| <b>Total Non-Current Liabilities</b>          | <b>2,183</b>         | <b>1,675</b>         | <b>838</b>           | <b>464</b>           |
| <b>Current Liabilities</b>                    |                      |                      |                      |                      |
| Trade and Other payables, Current             | 14,707               | 19,007               | 13,215               | 17,594               |
| Income Tax Payable, Current                   | 2,509                | 2,536                | 2,376                | 2,343                |
| Other Liabilities, Current                    | 4,189                | 4,147                | 4,243                | 4,195                |
| <b>Total Current Liabilities</b>              | <b>21,405</b>        | <b>25,690</b>        | <b>19,834</b>        | <b>24,132</b>        |
| <b>Total Liabilities</b>                      | <b>23,588</b>        | <b>27,365</b>        | <b>20,672</b>        | <b>24,596</b>        |
| <b>Total Equity and Liabilities</b>           | <b>53,019</b>        | <b>53,913</b>        | <b>51,546</b>        | <b>51,493</b>        |

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

**Amount repayable in one year or less, or on demand**

Nil.

**Details of any collateral**

The Group has secured the following facilities from a financial institution in Singapore:

- a) Fixed Advance Facility of up to \$4.7 M secured by a first legal mortgage over our corporate office building 1 Ubi Link, Singapore 408553; and
- b) Fixed Advance Facility of up to \$0.6 M secured by a charge on Australian dollar fixed deposits.

As at 30 June 2010, both the above-mentioned facilities have not been drawn down nor utilised.

**CHALLENGER TECHNOLOGIES LIMITED**

**HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2010**

- 1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

**Consolidated cash flows statement**

|   | 30.06.2010<br>\$'000 | 30.06.2009<br>\$'000 |
|---|----------------------|----------------------|
| <b>Cash flow from operating activities</b>                                |                      |                      |
| Profit before tax   | 7,138                | 7,595                |
| Adjustments for:  |                      |                      |
| Depreciation expense  | 1,179                | 1,450                |
| Loss on disposal of plant and equipment                                   | 1                    | 68                   |
| Interest income   | (79)                 | (140)                |
| Dividend income   | (15)                 | (33)                 |
| Gain on disposal of quoted shares investment                              | -                    | (14)                 |
| Foreign exchange adjustment loss/ (gain)                                  | 5                    | (248)                |
| Operating profit before working capital changes                           | <u>8,229</u>         | <u>8,678</u>         |
| Trade and other receivables   | 406                  | (963)                |
| Other Assets  | (763)                | 315                  |
| Inventories   | 317                  | (3,929)              |
| Trade and other payables  | (4,300)              | (3,277)              |
| Other liabilities   | 544                  | 269                  |
| Cash generated from operations  | <u>4,433</u>         | <u>1,093</u>         |
| Income tax paid   | <u>(1,284)</u>       | <u>(939)</u>         |
| Net cash generated from operating activities                              | <u>3,149</u>         | <u>154</u>           |
| <b>Cash flows from investing activities</b>                               |                      |                      |
| Interest received   | 79                   | 140                  |
| Dividend received   | 15                   | 33                   |
| Investment in quoted shares   | -                    | (27)                 |
| Proceeds from disposal of quoted shares                                   | -                    | 204                  |
| Purchase of property, plant and equipment                                 | <u>(1,224)</u>       | <u>(7,606)</u>       |
| Net cash used in investing activities                                     | <u>(1,130)</u>       | <u>(7,256)</u>       |
| <b>Cash flows from financing activities</b>                               |                      |                      |
| Dividends paid  | (3,051)              | (2,775)              |
| Proceeds from issuing shares  | 114                  | 23                   |
| Net cash used in financing activities                                     | <u>(2,937)</u>       | <u>(2,752)</u>       |
| Net effect of exchange rate changes in consolidating foreign subsidiaries | (55)                 | 2                    |
| <b>Net decrease in cash and cash equivalents</b>                          | (973)                | (9,852)              |
| Cash and cash equivalents, Cash flow statement, Beginning balance         | <u>19,446</u>        | <u>24,946</u>        |
| <b>Cash and cash equivalents, Cash flow statement, Ending balance</b>     | <u>18,473</u>        | <u>15,094</u>        |

CHALLENGER TECHNOLOGIES LIMITED

HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2010

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

**Statement of Changes in Equity**

|  | Attributable to Equity Holder of the Company |   |                         |                             |                         |                                     |
|--|--|---|-------------------------|-----------------------------|-------------------------|-------------------------------------|
|  | Total Equity<br>\$'000                       | Attributable to Parent<br>sub-total<br>\$'000 | Share Capital<br>\$'000 | Retained Earnings<br>\$'000 | Other Reserve<br>\$'000 | Non-controlling Interests<br>\$'000 |
| <b>Group</b>                               |  |   |                         |                             |                         |                                     |
| <b>Current Period:</b>                     |  |   |                         |                             |                         |                                     |
| <b>Opening Balance at 1 January 2010</b>   | 26,548                                       | 26,286  | 18,661                  | 7,311                       | 314                     | 262                                 |
| <b>Movements in Equity:</b>                |  |   |                         |                             |                         |                                     |
| Total Comprehensive Income for the Period  | 5,820  | 5,739   | -                       | 5,794                       | (55)                    | 81                                  |
| Dividends paid                             | (3,051)                                      | (2,991)                                       | -                       | (2,991)                     | -                       | (60)                                |
| Issue of share capital                     | 114  | 114   | 114                     | -                           | -                       | -                                   |
| <b>Closing Balance at 30 June 2010</b>     | <b>29,431</b>                                | <b>29,148</b>                                 | <b>18,775</b>           | <b>10,114</b>               | <b>259</b>              | <b>283</b>                          |
| <b>Previous Year:</b>                      |  |   |                         |                             |                         |                                     |
| <b>Opening Balance at 1 January 2009</b>   | 22,272                                       | 22,069  | 18,619                  | 3,035                       | 415                     | 203                                 |
| Changes in accounting policy               | (1,288)                                      | (1,288)                                       | -                       | (1,288)                     | -                       | -                                   |
| Restated Opening Balance at 1 January 2009 | 20,984                                       | 20,781  | 18,619                  | 1,747                       | 415                     | 203                                 |
| <b>Movements in Equity:</b>                |  |   |                         |                             |                         |                                     |
| Total Comprehensive Income for the Period  | 6,092  | 6,044   | -                       | 6,042                       | 2                       | 48                                  |
| Dividends paid                             | (2,775)                                      | (2,775)                                       | -                       | (2,775)                     | -                       | -                                   |
| Issue of share capital                     | 23   | 23  | 23                      | -                           | -                       | -                                   |
| <b>Closing Balance at 30 June 2009</b>     | <b>24,324</b>                                | <b>24,073</b>                                 | <b>18,642</b>           | <b>5,014</b>                | <b>417</b>              | <b>251</b>                          |
| <b>Company</b>                             |  |   |                         |                             |                         |                                     |
| <b>Current Year:</b>                       |  |   |                         |                             |                         |                                     |
| <b>Opening Balance at 1 January 2010</b>   | 26,897                                       | 26,897  | 18,661                  | 7,917                       | 319                     | -                                   |
| <b>Movements in Equity:</b>                |  |   |                         |                             |                         |                                     |
| Total Comprehensive Income for the Period  | 6,854  | 6,854   | -                       | 6,854                       | -                       | -                                   |
| Dividends paid                             | (2,991)                                      | (2,991)                                       | -                       | (2,991)                     | -                       | -                                   |
| Issue of share capital                     | 114  | 114   | 114                     | -                           | -                       | -                                   |
| <b>Closing Balance at 30 June 2010</b>     | <b>30,874</b>                                | <b>30,874</b>                                 | <b>18,775</b>           | <b>11,780</b>               | <b>319</b>              | <b>-</b>                            |
| <b>Previous Year:</b>                      |  |   |                         |                             |                         |                                     |
| <b>Opening Balance at 1 January 2009</b>   | 21,743                                       | 21,743  | 18,619                  | 2,701                       | 423                     | -                                   |
| Changes in accounting policy               | (1,288)                                      | (1,288)                                       | -                       | (1,288)                     | -                       | -                                   |
| Restated Opening Balance at 1 January 2009 | 20,455                                       | 20,455  | 18,619                  | 1,413                       | 423                     | -                                   |
| <b>Movements in Equity:</b>                |  |   |                         |                             |                         |                                     |
| Total Comprehensive Income for the Period  | 6,502  | 6,502   | -                       | 6,502                       | -                       | -                                   |
| Dividends paid                             | (2,745)                                      | (2,745)                                       | -                       | (2,745)                     | -                       | -                                   |
| Issue of share capital                     | 23   | 23  | 23                      | -                           | -                       | -                                   |
| <b>Closing Balance at 30 June 2009</b>     | <b>24,235</b>                                | <b>24,235</b>                                 | <b>18,642</b>           | <b>5,170</b>                | <b>423</b>              | <b>-</b>                            |

CHALLENGER TECHNOLOGIES LIMITED

**HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2010**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-back, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

In March 2007, the Company completed its renounceable non-underwritten rights issue of up to 46,050,000 new ordinary shares in the capital of the Company at an issue price of S\$0.10 for each rights share with up to 30,700,000 free detachable warrants, each warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company at an exercise price of S\$0.10 for each new share, on the basis of three (3) rights shares with two (2) free warrants for every ten (10) existing ordinary shares held by shareholders of the Company as at the books closure date, fractional entitlements to be disregarded. 46,050,000 rights shares and 30,699,558 warrants were listed on the SGX-ST on 10 April 2007 and 11 April 2007 respectively.

As at 30 June 2010, the rights comprised in the warrants to subscribe for new ordinary shares have expired on 8 April 2010 and the warrants have been de-listed from the Official List of SGX-ST on 9 April 2010.

The details of the number of shares issued and share capital are as follows:

|  | Number of<br>Shares | Issued<br>Share Capital<br>\$ |
|--|---------------------|-------------------------------|
| <b><u>Issued and paid-up share capital</u></b>       |                     |                               |
| Balance at 1 January 2010                            | 228,992,502         | 18,660,438                    |
| Shares arising from warrants exercised at \$0.1 each | 1,146,156           | 114,616                       |
| Balance at 30 June 2010                              | <u>230,138,658</u>  | <u>18,775,054</u>             |

1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

|   | 30.6.2010   | 31.12.2009  |
|---|-------------|-------------|
| Total number of issued shares (excluding treasury shares) | 230,138,658 | 228,992,502 |

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on

Not applicable.

2 Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited nor reviewed by the Group auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

**CHALLENGER TECHNOLOGIES LIMITED**

**HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2010**

**4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The accounting policies and methods have been consistently applied by the Group and are consistent with the audited financial statements as at 31 December 2009.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Not applicable.

**6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

|  | Group     |           |
|--|-----------|-----------|
|  | 30.6.2010 | 30.6.2009 |
|  | cents     | cents     |
| Earnings per share based on consolidated profit after taxation and minority interest |           |           |
| - on weighted average number of shares   | 2.52      | 2.64      |
| - on a fully diluted basis   | 2.52      | 2.62      |

(i) Basic earnings per ordinary shares for the financial period ended 30 June 2010 was calculated based on the weighted average number of ordinary shares in issue of 229,658,736 (30 June 2009: 228,650,667).

(ii) Earnings per share on a fully diluted basis was calculated based on total number of ordinary shares in issue during the period. The rights comprised in the warrants to subscribe for new ordinary shares have expired on 8 April 2010. As at 30 June 2010, there is no outstanding unexercised warrants.

**7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

|   | Group     |            | Company   |            |
|---|-----------|------------|-----------|------------|
|   | 30.6.2010 | 31.12.2009 | 30.6.2010 | 31.12.2009 |
|   | cents     | cents      | cents     | cents      |
| Net asset value per share based on existing issued share capital as at the end of the respective period | 12.67     | 11.47      | 13.42     | 11.75      |

The net asset value per ordinary share at the end of the current period have been calculated based on 230,138,658 ordinary shares (31 December 2009: 228,992,502).

## CHALLENGER TECHNOLOGIES LIMITED

### HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2010

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

#### Revenue

Revenue for the Group of \$104.0 M was 12.4% higher than the revenue in the corresponding period last year. The improved revenue has been mainly attributable to growth in our IT products and services business segment.

Revenue from IT products and services business segment increased 15.0% to \$102.3 M. This was largely contributed by improved performance of existing outlets and revenue from full operations of outlets which opened during the first half of 2009.

Revenue from electronic signage services business segment dropped by 92.3% to \$0.2 M due to recognition of revenue from two projects completed in the first half of 2009 compared to the current period under review.

Revenue from marketing call centre increased by 50.0% to \$1.5 M in the first half of 2010 as more projects were secured in the first half of 2010 compared to the corresponding period last year.

#### Profit after taxation

The decrease in profit after taxation of \$0.2 M has been mainly attributable to the following:

- a) Foreign exchange losses of \$0.2 M as compared to foreign exchange gains of \$0.9 M last period arising from weaker Australian dollar against Singapore dollar for the Australian dollar fixed deposits and investment fund.
- b) Decreased in other income of about \$0.2 M mainly due to lower job credits given by the government.
- c) Increase in employee benefits expense by \$0.6 M mainly due to increase in headcount for new retail outlets and incentive as a result of higher sales achieved.
- d) Increase in rental expenses of \$0.2 M due to increased number of stores compared to the same period last year.
- e) Higher selling and distribution cost of \$0.1 M due to higher charges from card companies and increased in sales volume.

The above items have been offset by:

- f) Overall increase in gross profit of about \$1.3 M due to stronger retail sales.
- g) Decrease in depreciation expenses of about \$0.3 M as some of the plant and equipments have been fully depreciated.
- h) Decrease in other operating expenses of about \$0.2 M.
- i) Lower income tax provision of \$0.2 M.

#### Working capital, assets and liabilities

Cash generated from operating activities amounted to about \$3.1 M. This has resulted mainly from the followings:

- i) operating profit derived from the current period of \$8.2 M
- ii) decrease of trade / other payables and accrued liabilities of \$4.3 M
- iii) increase of deferred revenue of \$0.5 M
- iv) increase in trade / other receivables / other assets of \$0.3 M
- v) decrease in inventory of \$0.3 M
- vi) income tax paid of \$1.3 M

The net cash outflow from investing activities of about \$1.1 M was mainly due to capital expenditure incurred for our retail outlets during the period. In addition, the Group paid dividends of about \$3.0 M in the first half of 2010, resulting in net cash outflow from financing activities. Hence, cash and cash equivalents decreased by about \$1.0 M for the period ended 30 June 2010.

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

**CHALLENGER TECHNOLOGIES LIMITED**

**HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2010**

**9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

In our last results announcement for the full year ended 31 December 2009, the Board of Directors stated that the Group should be able to remain profitable in the current financial year.

We have achieved net profit of \$5.9 M for the half year ended 30 June 2010, in line with the expectation of the Board of Directors. The Board of Directors expects a profit for FY2010.

**10 A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

**a. IT products and services**

The Group will continue to focus on our core IT retail business in Singapore. It now has a total of 22 outlets comprising two flagship megastores, 13 Challenger stores and seven specialty stores. New retail outlets will still be strategically added at suitable locations in order to capture greater market share. In addition to the lease secured at nex in Serangoon Central, we have secured two more leases for Challenger outlets each located at Plaza Singapura and Bedok Point, which are due to be opened by the end of 2010. On the back of the two recently opened integrated resorts and the Youth Olympic Games in August 2010, we expect to have more sales based on the expected growth in the tourism arrival and retail consumption.

During the period, we have also launched our first lifestyle online retail shop in May 2010. We believe the online concept would help complement our retail business.

**b. Electronic signage services**

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

**11 Dividend**

**(a) Current Financial Period Reported On**

The directors recommend an interim dividend to be paid for the period ended 30.6.2010 as follows:

Name of Dividend: Interim exempt (one-tier) dividend  
Dividend type: Cash  
Dividend amount per share (in cents): 1.20  
Tax rate: Tax-exempt one-tier

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Interim dividend for the half year ended 30.06.2009 paid on 11.09.2009 as noted below.

Name of Dividend: Interim exempt (one-tier) dividend  
Dividend type: Cash  
Dividend amount per share (in cents): 1.20  
Tax rate: Tax-exempt one-tier

**(c) Date Payable**

8 September 2010.

**(d) Books Closure Date**

Notice is hereby given that the Share Transfer Books and Register of Members will be closed on 27 August 2010 for the purpose of determining members' entitlements to the tax-exempt one-tier interim dividend of 1.2 cents. Duly completed registerable transfers in respect of the shares in the Company received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, by the close of business at 5.00 pm on 26 August 2010 will be registered to determine the members' entitlements to such dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 pm on 26 August 2010 will be entitled to such dividend.

**CHALLENGER TECHNOLOGIES LIMITED**

**HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2010**

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

Not applicable.

**13 Interested Person Transactions**

There was no Interested Person Transactions for the 6 months ended 30 June 2010.

**BY ORDER OF THE BOARD**

LOO LEONG THYE  
DIRECTOR AND CHIEF EXECUTIVE OFFICER  
DATE: 11 August 2010

**CONFIRMATION BY THE BOARD**

On behalf of the Board of Directors of the Company, Loo Leong Thye and Ong Sock Hwee being two directors of the Company, do hereby confirm to the best of our knowledge, that nothing has come to the attention of the Board of Directors of the Company which may render the financial statement for the period ended 30 June 2010 to be false or misleading in any material aspect.

On behalf of the Board of Directors

LOO LEONG THYE  
DIRECTOR AND CHIEF EXECUTIVE OFFICER

ONG SOCK HWEE  
EXECUTIVE DIRECTOR

Singapore, 11 August 2010