

**Challenger
Technologies Limited**



**THIRD QUARTER UNAUDITED FINANCIAL STATEMENT
FOR THE FINANCIAL PERIOD ENDED
30 SEPTEMBER 2019**

Co Reg No: 198400182 K

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Consolidated Statement of Comprehensive Income

	Group					
	3 months ended		Change	9 months ended		Change
	30.09.2019	30.09.2018		30.09.2019	30.09.2018	
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	83,320	82,470	1	246,612	236,309	4
Other Items of Income						
Interest Income	360	255	41	968	577	68
Other Gains [note (A)]	12	23	(48)	226	389	(42)
Other Items of Expense						
Changes in Inventories of Finished Goods	2,423	2,003	21	406	3,246	(87)
Purchase of Goods and Consumables	(67,776)	(67,093)	1	(194,182)	(187,524)	4
Other Consumables Used	(64)	(55)	16	(137)	(134)	2
Depreciation Expense	(539)	(642)	(16)	(1,655)	(2,144)	(23)
Employee Benefits Expense	(6,087)	(5,835)	4	(18,276)	(16,964)	8
Other Expenses [Note (B)]	(6,144)	(5,333)	15	(18,036)	(16,236)	11
Other Losses [Note (A)]	(222)	(277)	(20)	(424)	(478)	(11)
Profit Before Tax from Continuing Operations	5,283	5,516	(4)	15,502	17,041	(9)
Income Tax Expense	(970)	(1,000)	(3)	(2,872)	(3,256)	(12)
Profit from Continuing Operations, Net of Tax	4,313	4,516	(4)	12,630	13,785	(8)
Other Comprehensive Income:						
Items that May Be Reclassified Subsequently to Profit or Loss:						
Exchange Differences on Translating Foreign Operations,						
Net of tax	38	(15)	N.M.	34	(11)	N.M.
Other Comprehensive Income /(Loss) for the Period,						
Net of Tax	38	(15)	N.M.	34	(11)	N.M.
Total Comprehensive Income	4,351	4,501	(3)	12,664	13,774	(8)
Profit Attributable to Owners of the Parent,						
Net of Tax	4,298	4,504	(5)	12,555	13,721	(8)
Profit Attributable to Non-Controlling Interests,						
Net of Tax	15	12	25	75	64	17
Profit Net of Tax	4,313	4,516	(4)	12,630	13,785	(8)
Total Comprehensive Income Attributable to						
Owners of the Parent	4,336	4,489	(3)	12,589	13,710	(8)
Total Comprehensive Income Attributable to						
Non-Controlling Interests	15	12	25	75	64	17
Total Comprehensive Income	4,351	4,501	(3)	12,664	13,774	(8)
Note:						
Profit before income tax is arrived after (charging) / crediting the followings:						
Note (A) - Other (Losses) / Gains						
Foreign exchange adjustment gains/ (losses)	(99)	(48)	106	(37)	(2)	1,750
Sundry income	12	23	(48)	226	389	(42)
Losses on disposal of plant and equipment	(3)	-	N.M.	(3)	-	N.M.
Provision for bad debts - trade	-	-	N.M.	-	(7)	N.M.
Losses on disposal of available-for-sale financial assets	-	(1)	N.M.	-	(1)	N.M.
Inventories written off	-	(1)	N.M.	-	(15)	N.M.
Provision for inventories	(120)	(227)	(47)	(384)	(453)	(15)
	(210)	(254)	(17)	(198)	(89)	122
Presented in profit or loss as:						
Other Gains	12	23	(48)	226	389	(42)
Other Losses	(222)	(277)	(20)	(424)	(478)	(11)
	(210)	(254)	(17)	(198)	(89)	122
Note (B) - Other Expenses						
Premises expenses	(4,627)	(4,273)	8	(13,195)	(12,476)	6
Other operating expenses	(695)	(423)	64	(2,109)	(1,464)	44
Selling and distribution costs	(822)	(637)	29	(2,732)	(2,296)	19
	(6,144)	(5,333)	15	(18,036)	(16,236)	11

N.M. = not meaningful

CHALLENGER TECHNOLOGIES LIMITED

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Statements of Financial Position

	Group		Company	
	30.09.2019 \$'000	31.12.2018 \$'000	30.09.2019 \$'000	31.12.2018 \$'000
ASSETS				
Non-Current Assets				
Investments in Subsidiaries	-	-	6,039	6,031
Other Financial Assets	6,102	6,102	5,793	5,793
Property, Plant and Equipment	7,762	7,573	7,595	7,389
Rights-of-use assets*	15,780	-	15,412	-
Total Non-Current Assets	29,644	13,675	34,839	19,213
Current Assets				
Cash and Cash Equivalents	69,110	63,240	62,189	55,610
Trade and Other Receivables	8,805	10,138	6,464	8,247
Other Assets	5,521	5,460	5,420	5,322
Inventories	37,857	37,939	37,463	37,785
Other Financial Assets	503	503	503	503
Total Current Assets	121,796	117,280	112,039	107,467
Total Assets	151,440	130,955	146,878	126,680
EQUITY AND LIABILITIES				
Equity attributable to Owners of the Parent				
Share Capital	18,775	18,775	18,775	18,775
Retained Earnings	79,066	73,415	79,150	73,227
Other Reserves	(160)	(194)	14	14
Equity, Attributable to Owners of the Parent	97,681	91,996	97,939	92,016
Non-Controlling Interests	412	337	-	-
Total Equity	98,093	92,333	97,939	92,016
Non-Current Liabilities				
Deferred Tax Liabilities	17	17	-	-
Other Liabilities, Non-Current	2,269	2,759	863	1,368
Lease Liabilities*	7,153	-	6,827	-
Total Non-Current Liabilities	9,439	2,776	7,690	1,368
Current Liabilities				
Trade and Other Payables	22,837	21,569	21,494	20,456
Provisions	2,125	1,955	2,125	1,955
Income Tax Payable	3,657	4,587	3,292	4,251
Other Liabilities, Current	6,470	7,735	5,566	6,634
Lease Liabilities*	8,819	-	8,772	-
Total Current Liabilities	43,908	35,846	41,249	33,296
Total Liabilities	53,347	38,622	48,939	34,664
Total Equity and Liabilities	151,440	130,955	146,878	126,680

* The Group adopted SFRS(I) 16 Leases with effect from 1 January 2019 based on the modified retrospective approach.

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

Amount repayable in one year or less, or on demand

Nil.

Amount repayable after one year

Nil.

Details of any collateral

Nil.

CHALLENGER TECHNOLOGIES LIMITED

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Consolidated Statement of Cash Flows

	3 months ended		9 months ended	
	30.09.2019 \$'000	30.09.2018 \$'000	30.09.2019 \$'000	30.09.2018 \$'000
Cash Flow From Operating Activities				
Profit Before Tax	5,283	5,516	15,502	17,041
Adjustments for:				
Amortisation on Rights-of-use Assets	3,365	-	10,454	-
Depreciation Expense	539	642	1,655	2,144
Losses on Disposal of Plant and Equipment	3	-	3	-
Losses on Disposal of Available-For-Sale Financial Assets	-	1	-	1
Interest Income	(360)	(255)	(968)	(577)
Interest Expense	119	-	409	-
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	38	(15)	34	(11)
Operating Cash Flows Before Working Capital Changes	8,987	5,889	27,089	18,598
Trade and Other Receivables	2,826	(2,554)	1,332	(1,321)
Other Assets	635	(619)	(61)	(483)
Inventories	(2,303)	(1,775)	82	(2,793)
Trade and Other Payables	(280)	4,498	1,268	2,297
Other Liabilities	(744)	(315)	(1,755)	(1,088)
Net Cash Flows From Operations	9,121	5,124	27,955	15,210
Income Taxes Paid	(1,587)	(1,144)	(3,802)	(2,691)
Net Cash Flows From Operating Activities	7,534	3,980	24,153	12,519
Cash Flows From Investing Activities				
Interest Received	360	255	968	577
Increase in Other Financial Assets	-	(2,015)	-	(2,763)
Proceeds from Disposal of Plant and Equipment	3	-	3	-
Proceeds from Disposal of Available-For-Sale Financial Assets	-	250	-	250
Purchase of Plant and Equipment	(1,469)	(384)	(1,680)	(402)
Net Cash Flows Used in Investing Activities	(1,106)	(1,894)	(709)	(2,338)
Cash Flows From Financing Activities				
Dividends paid to equity owners	-	(3,798)	(6,904)	(11,393)
Dividends Paid to Non-Controlling Interests	-	-	-	(150)
Principal element of lease payments	(3,327)	-	(10,261)	-
Interest element of lease payments	(119)	-	(409)	-
Net Cash Flows Used in Financing Activities	(3,446)	(3,798)	(17,574)	(11,543)
Net Increase / (Decrease) in Cash and Cash Equivalents	2,982	(1,712)	5,870	(1,362)
Cash and Cash Equivalents, Consolidated Statement of Cash Flow, Beginning Balance	66,128	63,582	63,240	63,232
Cash and Cash Equivalents, Consolidated Statement of Cash Flow, Ending Balance	69,110	61,870	69,110	61,870

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

Statements of Changes in Equity

	Attributable to Equity Holder of the Company					
	Total Equity \$'000	Attributable to Parent sub-total \$'000	Share Capital \$'000	Retained Earnings \$'000	Other Reserves \$'000	Non-controlling Interests \$'000
Group						
Current Period:						
Opening Balance at 1 January 2019	92,333	91,996	18,775	73,415	(194)	337
Movements in Equity:						
Total Comprehensive Income for the Period	8,313	8,253	-	8,257	(4)	60
Dividends paid	(6,904)	(6,904)	-	(6,904)	-	-
Closing Balance at 30 June 2019	93,742	93,345	18,775	74,768	(198)	397
Total Comprehensive Income for the Period	4,351	4,336	-	4,298	38	15
Closing Balance at 30 September 2019	98,093	97,681	18,775	79,066	(160)	412
Previous Period:						
Opening Balance at 1 January 2018	86,442	86,103	18,775	67,464	(136)	339
Impact of adoption of SFRS(I) 15 on previously reported results for the period ended 31 December 2017	(2,110)	(2,110)	-	(2,110)	-	-
Balance at 1 January 2018, as restated	84,332	83,993	18,775	65,354	(136)	339
Movements in Equity:						
Total Comprehensive Income for the Period	9,273	9,221	-	9,217	4	52
Dividends paid	(7,745)	(7,595)	-	(7,595)	-	(150)
Closing Balance at 30 June 2018	85,860	85,619	18,775	66,976	(132)	241
Total Comprehensive Income for the Period	4,501	4,489	-	4,504	(15)	12
Dividends paid	(3,798)	(3,798)	-	(3,798)	-	-
Reclassification adjustment on sale of available -for-sale investment from reserves	(8)	(8)	-	-	(8)	-
Closing Balance at 30 September 2018	86,555	86,302	18,775	67,682	(155)	253
Company						
Current Period:						
Opening Balance at 1 January 2019	92,016	92,016	18,775	73,227	14	-
Movements in Equity:						
Total Comprehensive Income for the Period	8,403	8,403	-	8,403	-	-
Dividends paid	(6,904)	(6,904)	-	(6,904)	-	-
Closing Balance at 30 June 2019	93,515	93,515	18,775	74,726	14	-
Total Comprehensive Income for the Period	4,424	4,424	-	4,424	-	-
Closing Balance at 30 September 2019	97,939	97,939	18,775	79,150	14	-
Previous Period:						
Opening Balance at 1 January 2018	86,107	86,107	18,775	67,276	56	-
Impact of adoption of SFRS(I) 15 on previously reported results for the period ended 31 December 2017	(2,110)	(2,110)	-	(2,110)	-	-
Balance at 1 January 2018, as restated	83,997	83,997	18,775	65,166	56	-
Movements in Equity:						
Total Comprehensive Income for the Period	9,204	9,204	-	9,204	-	-
Dividends paid	(7,595)	(7,595)	-	(7,595)	-	-
Closing Balance at 30 June 2018	85,606	85,606	18,775	66,775	56	-
Total Comprehensive Income for the Period	4,322	4,322	-	4,322	-	-
Dividends paid	(3,798)	(3,798)	-	(3,798)	-	-
Reclassification adjustment on sale of available -for-sale investment from reserves	(8)	(8)	-	-	(8)	-
Closing Balance at 30 September 2018	86,122	86,122	18,775	67,299	48	-

- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the share capital of the Company in the third quarter of 2019. As at 30 September 2019, the Company's issued and paid up capital comprises 345,207,961 (31 December 2018: 345,207,961) ordinary shares and \$18,775,054 (31 December 2018: \$18,775,054) respectively.

There were no outstanding convertibles issued or treasury shares held by the Company or subsidiary as at 30 September 2019 and 30 September 2018.

- 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.**

	30.09.2019	31.12.2018
Total number of issued shares (excluding treasury shares)	345,207,961	345,207,961

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

Not applicable.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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.

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019**4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period, which are consistent with those described in the Audited Financial Statements for the year ended 31 December 2018, except for the adoption of all applicable new and revised Singapore Financial Reporting Standards (International), ("SFRS(I)") and Interpretations of SFRS(I) ("INT SFRS(I)") which becomes effective from annual periods beginning on or after 1 January 2019.

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

The application of the new and revised standards and interpretations has no material effect on the financial statements, except for the adoption of SFRS(I) 16 – Leases.

The Group adopted SFRS(I) 16 - Leases on 1 January 2019. At the date of initial application, the Group recognised the rights to use leased assets as right-of-use assets and their associated obligations as lease liabilities. The Group applied this standard using the modified retrospective approach. Therefore, the nine months and third quarter 2018 comparative figures have not been restated from that which was previously announced in nine months and third quarter 2018 announcement as the Group and the Company have applied the standard retrospectively with the cumulative effect recognised at the date of initial application.

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

	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
<u>Group</u>				
Earnings per share based on consolidated profit after taxation and non-controlling interests	cents	cents	cents	cents
- on weighted average number of shares	1.25	1.31	3.64	3.97
- on a fully diluted basis	1.25	1.31	3.64	3.97

Earnings per ordinary share is computed based on the weighted average number of 345,207,961 issued shares.

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

	Group		Company	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Net asset value per share based on existing issued share capital as at the end of the respective period	cents	cents	cents	cents
	28.30	26.65	28.37	26.66

The net asset value per ordinary share of the Group and the Company as at 30 September 2019 and 31 December 2018 is computed based on the total number of issued shares of 345,207,961.

- 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

The Group achieved revenue of \$83.3 M for the three months ended 30 September 2019 ("3Q2019"), an increase of 1% or \$0.8 M compared to the revenue of \$82.5 M registered for the three months ended 30 September 2018 ("3Q2018").

The increase in revenue was primarily driven by improved performance from IT products and services which increased by 1.1% to \$81.8 M in 3Q2019, from \$80.9 M in 3Q2018. The growth in this segment was mainly attributed to higher revenue contribution from trade show and corporate sales, partially offset by lower contribution from retail sales.

Revenue from the electronic signage services business segment decreased to \$0.3 M from \$0.4 M, mainly due to completion of a project in 3Q2018.

Revenue from the telephonic call centre and data management services remained consistent at \$1.2 M in 3Q2019.

Profit after taxation ("PAT")

The Group registered a lower PAT of \$4.3 M in 3Q2019, as compared to \$4.5 M in 3Q2018.

The decrease in PAT was mainly due to the following:

- a) increase in employee benefits expenses by \$0.3 M mainly due to increased staff costs;
- b) increase in rental expenses by \$0.3 M due to new store openings;
- c) selling and distribution expenses increased by \$0.2 M mainly from card surcharges as well as advertising and promotion expenses; and
- d) other operating expenses increased by \$0.3 M to support business operations.

The above items have been offset by:

- e) increase in overall gross profit by \$0.6 M was in line with higher revenue achieved. Overall gross profit margin of 21.5% in 3Q2019 is considered stable;
- f) decrease in depreciation expenses by \$0.1 M;
- g) provision for inventories which cater for both third parties and house brand products decreased by \$0.1 M; and
- h) interest income from fixed deposits and coupon received from investment in corporate bonds up by \$0.1 M.

Sundry income of \$0.01 M mainly comprises of receipts of government grant. Foreign exchange losses of \$0.1 M mainly arising from revaluation of Renminbi transactions and deregistration of a subsidiary in China.

Working capital, assets and liabilities

For the third quarter ended 30 September 2019, the Group has cash of approximately \$69.1 M.

The Group recorded an operating cash inflow of about \$7.5 M in 3Q2019. This was mainly attributable to the following:

- a) operating profit derived for 3Q2019 of \$9.0 M;
- b) decrease of trade, other receivables and other assets of \$3.4 M;
- c) increase in inventory of \$2.3 M;
- d) decrease of trade, other payables and accrued liabilities of \$0.3 M;
- e) decrease of other liabilities of \$0.7 M; and
- f) income tax paid of \$1.6 M.

The net cash outflow for investing activities was mainly on acquisition of equipment and renovations of \$1.5 M, partially offset by interests received from fixed deposits and bonds of \$0.4 M during the period. Meanwhile, \$3.4 M used in investing activities was incurred as principal and interest element for lease payments. Hence, cash and cash equivalents increased by about \$3.0 M for the period ended 30 September 2019.

Other than the above, no significant difference was noted for other working capital, assets and liabilities, except for the Group total assets which increased by \$20.4 M to \$151.4 M and total liabilities which increased by \$14.7 M to \$53.3 M as at 30 September 2019. This is mainly attributable to the recognition of right-of-use assets and lease liabilities arising from the adoption of SFRS(I) 16 Leases.

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

No specific forecast was previously provided.

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

a. IT products and services

Amidst global economic slowdown and challenging operating environment, the Group will continue to grow Challenger's footprint in Singapore and expand the "PIT.Money" concept store to further tap into the market segment of pre-owned and demo products. As of today, the Group has a total retail network of 40 stores in Singapore.

b. Electronic signage services

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

- 11 Dividend**

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date Payable

Not applicable.

(d) Books Closure Date

Not applicable.

- 12 If no dividend has been declared/recommendeded, a statement to that effect and the reason(s) for the decision.**

There is no dividend declared for this quarter. The Company does not have a formal dividend policy and in view of the uncertainty in the market outlook and business environment, the Board deems it prudent to defer any decision on dividends till the end of the financial year.

- 13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

There is no IPT mandate obtained.

CHALLENGER TECHNOLOGIES LIMITED

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

14 Confirmation By the Company Pursuant to Rule 720(1) of the SGX Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the SGX Listing Manual.

15 CONFIRMATION BY THE BOARD

On behalf of the Board of Directors of the Company, Loo Leong Thye and Tan Wee Ko being two directors of the Company, do hereby confirm to the best of our knowledge, that nothing has come to the attention of the Board of Directors of the Company which may render the financial statement for the third quarter ended 30 September 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors

LOO LEONG THYE
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

TAN WEE KO
EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

BY ORDER OF THE BOARD

LOO LEONG THYE
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER
DATE: 4 November 2019