

Challenger Technologies Limited



FIRST QUARTER UNAUDITED FINANCIAL STATEMENT

FOR THE FINANCIAL PERIOD ENDED

31 MARCH 2018

Co Reg No: 198400182 K

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Group		
	1Q2018	1Q2017	Change
	\$'000	(Restated*) \$'000	%
Revenue	77,590	76,340	2
<u>Other Items of Income</u>			
Interest Income	166	162	2
Other Gains [Note (A)]	295	214	38
<u>Other Items of Expense</u>			
Changes in Inventories of Finished Goods	635	(4,055)	N.M.
Purchase of Goods and Consumables	(60,659)	(56,183)	8
Other Consumables Used	(33)	(242)	(86)
Depreciation Expense	(787)	(867)	(9)
Employee Benefits Expense	(5,470)	(5,879)	(7)
Other Expenses [Note (B)]	(5,320)	(5,538)	(4)
Other Losses [Note (A)]	(127)	(216)	(41)
Profit Before Tax from Continuing Operations	6,290	3,736	68
Income Tax Expense	(1,041)	(599)	74
Profit from Continuing Operations, Net of Tax	5,249	3,137	67
<u>Other Comprehensive Income:</u>			
Items that May Be Reclassified Subsequently to Profit or Loss:			
Exchange Difference on Translating Foreign Operations, Net of tax	5	(20)	(125)
Other Comprehensive Income for the Period, Net of Tax	5	(20)	(125)
Total Comprehensive Income	5,254	3,117	69
Profit Attributable to Owners of the Parent, Net of Tax	5,215	3,094	69
Profit / (loss) Attributable to Non-Controlling Interests, Net of Tax	34	43	(21)
	5,249	3,137	67
Total Comprehensive Income Attributable to Owners of the Parent, Net of Tax	5,220	3,074	70
Profit / (loss) Attributable to Non-Controlling Interests, Net of Tax	34	43	(21)
	5,254	3,117	69
Note:			
Profit before income tax is arrived after charging/ (crediting) the followings:			
<u>Note (A) - Other (Losses) / Gains</u>			
Foreign exchange adjustment losses	23	(14)	N.M.
Sundry income	272	214	27
Provision for bad debts - trade	(7)	-	N.M.
Losses on disposal of plant and equipment	-	(34)	N.M.
Losses on disposal of available-for-sale financial assets	-	(48)	N.M.
Provision for inventories	(120)	(120)	-
	168	(2)	N.M.
Presented in profit or loss as:			
Other Gains	295	214	38
Other Losses	(127)	(216)	(41)
	168	(2)	N.M.
<u>Note (B) - Other Expenses</u>			
Rental expenses	(3,689)	(3,719)	(1)
Other operating expenses	(813)	(950)	(14)
Selling and distribution costs	(818)	(869)	(6)
	(5,320)	(5,538)	(4)

N.M. = not meaningful

* The 1Q2017 comparative figures have been restated from what was previously announced in the 1Q2017 announcement, to take into account (i) the retrospective adjustments arising from the adoption of SFRS(I) 15 – Revenue From Contracts With Customers (“SFRS(I) 15”).

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

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

Statements of Financial Position

	Group		Company	
	31.03.2018	31.12.2017 (Restated)	31.03.2018	31.12.2017 (Restated)
	\$'000	\$'000	\$'000	\$'000
<u>ASSETS</u>				
<u>Non-Current Assets</u>				
Investment in Associate	-	-	-	-
Investments in Subsidiaries	-	-	5,524	5,524
Other Financial Assets	3,886	3,886	3,577	3,577
Property, Plant and Equipment	8,597	9,375	8,452	9,173
Total Non-Current Assets	12,483	13,261	17,553	18,274
<u>Current Assets</u>				
Cash and Cash Equivalents	65,657	63,232	55,635	52,985
Trade and Other Receivables	8,235	8,232	8,875	8,324
Other Assets	4,861	5,148	4,787	5,053
Inventories	33,922	33,407	33,801	33,259
Total Current Assets	112,675	110,019	103,098	99,621
Total Assets	125,158	123,280	120,651	117,895
<u>EQUITY AND LIABILITIES</u>				
<u>Equity attributable to Owners of the Parent</u>				
Share Capital	18,775	18,775	18,775	18,775
Retained Earnings	70,569	65,354	70,300	65,166
Other Reserves	(131)	(136)	56	56
Equity, Attributable to Owners of the Parent	89,213	83,993	89,131	83,997
Non-Controlling Interests	373	339	-	-
Total Equity	89,586	84,332	89,131	83,997
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	22	22	-	-
Other Liabilities, Non-Current	3,111	3,834	2,386	2,146
Total Non-Current Liabilities	3,133	3,856	2,386	2,146
<u>Current Liabilities</u>				
Trade and Other Payables	18,843	22,272	17,924	20,497
Provisions	1,886	1,886	1,886	1,886
Income Tax Payable	3,780	3,141	3,404	2,728
Other Liabilities, Current	7,930	7,793	5,920	6,641
Total Current Liabilities	32,439	35,092	29,134	31,752
Total Liabilities	35,572	38,948	31,520	33,898
Total Equity and Liabilities	125,158	123,280	120,651	117,895

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

Amount repayable in one year or less, or on demand

Nil.

Amount repayable after one year

Nil.

Details of any collateral

Nil.

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

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

Consolidated Statement of Cash Flow

	31.03.2018 \$'000	31.03.2017 (Restated) \$'000
Cash Flow From Operating Activities		
Profit Before Tax	6,290	3,736
Adjustments for:		
Depreciation Expense	787	867
Losses on Disposal of Plant and Equipment	-	34
Losses on Disposal of Available-For-Sale Financial Assets	-	48
Interest Income	(166)	(162)
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	5	(20)
Operating Cash Flows Before Working Capital Changes	6,916	4,503
Trade and Other Receivables	(3)	(660)
Other Assets	287	(268)
Inventories	(515)	4,175
Trade and Other Payables	(3,429)	(6,322)
Other Liabilities	(586)	(365)
Net Cash Flows From Operations	2,670	1,063
Income Tax Paid	(402)	(53)
Net Cash Flows From Operating Activities	2,268	1,010
Cash Flows From Investing Activities		
Interest Received	166	162
Proceeds from Disposal of Available-For-Sale Financial Assets	-	1,000
Purchase of Plant and Equipment	(9)	(192)
Net Cash Flows From Investing Activities	157	970
Net Increase in Cash and Cash Equivalents	2,425	1,980
Cash and Cash Equivalents, Consolidated Statement of Cash Flow , Beginning Balance	63,232	52,273
Cash and Cash Equivalents, Consolidated Statement of Cash Flow , Ending Balance	65,657	54,253

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

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

Statements of Changes in Equity

	Attributable to Equity Holders of the Company					
	Total Equity \$'000	Attributable to Parent sub-total \$'000	Share Capital \$'000	Retained Earnings \$'000	Other Reserves \$'000	Non-controlling Interests \$'000
Group						
Current Period:						
Opening Balance at 1 January 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	5,254	5,220	-	5,215	5	34
Closing Balance at 31 March 2018	89,586	89,213	18,775	70,569	(131)	373
Previous Period:						
Opening Balance at 1 January 2017	79,508	79,100	18,775	60,567	(242)	408
Impact of adoption of SFRS(I) 15 on previously reported results for the period ended 31 December 2016	(1,878)	(1,878)	-	(1,878)	-	-
Balance at 1 January 2017, as restated	77,630	77,222	18,775	58,689	(242)	408
Movements in Equity:						
Total Comprehensive Income for the Period	3,228	3,185	-	3,206	(21)	43
Impact of adoption of SFRS(I) 15 on previously reported results for the period ended 31 March 2017	(112)	(112)	-	(112)	-	-
Reclassification adjustment on sale of available -for-sale investment from reserves	29	29	-	-	29	-
Closing Balance at 31 March 2017, as restated	80,775	80,324	18,775	61,783	(234)	451
Company						
Current 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	5,134	5,134	-	5,134	-	-
Closing Balance at 31 March 2018	89,131	89,131	18,775	70,300	56	-
Previous Period:						
Opening Balance at 1 January 2017	82,580	82,580	18,775	63,876	(71)	-
Impact of adoption of SFRS(I) 15 on previously reported results for the period ended 31 December 2016	(1,878)	(1,878)	-	(1,878)	-	-
Balance at 1 January 2017, as restated	80,702	80,702	18,775	61,998	(71)	-
Movements in Equity:						
Total Comprehensive Income for the Period	3,459	3,459	-	3,431	28	-
Impact of adoption of SFRS(I) 15 on previously reported results for the period ended 31 March 2017	(112)	(112)	-	(112)	-	-
Closing Balance at 31 March 2017, as restated	84,049	84,049	18,775	65,317	(43)	-

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

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

There were no changes in the share capital of the Company in the first quarter of 2018. As at 31 March 2018, the Company's issued and paid up capital comprises 345,207,961 (31 December 2017: 345,207,961) ordinary shares and \$18,775,054 (31 December 2017: \$18,775,054) respectively.

There were no outstanding convertibles issued or treasury shares held by the Company or subsidiary as at 31 March 2018 and 31 March 2017.

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

	31.03.2018	31.12.2017
Total number of issued shares (excluding treasury shares)	345,207,961	345,207,961

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

Not applicable.

- 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.

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018**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 2017, 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 2018.

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) 15 - Revenue from Contracts with Customers.

The 1Q 2017 comparative figures have been restated from what was previously announced in the 1Q 2017 announcement, to take into account (i) the retrospective adjustments arising from the adoption of SFRS(I) 15 – Revenue From Contracts With Customers ("SFRS(I) 15").

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

Not applicable.

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

	Group	
	31.03.2018	31.03.2017 (Restated)
	cents	cents
Earnings per share based on consolidated profit after taxation and minority interest		
- on weighted average number of shares	1.51	0.90
- on a fully diluted basis	1.51	0.90

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

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

	Group		Company	
	31.03.2018	31.12.2017 (Restated)	31.03.2018	31.12.2017 (Restated)
	cents	cents	cents	cents
Net asset value per share based on existing issued share capital as at the end of the respective period	25.84	24.33	25.82	24.33

The net asset value per ordinary share of the Group and the Company as at 31 March 2018 and 31 December 2017 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

For the first quarter ended 31 March 2018 ("1Q2018"), the Group achieved revenue of \$77.6 M, an increase of 1.7% or \$1.3 M compared to the revenue of \$76.3 M recorded in the last corresponding quarter.

The increase in revenue was primarily driven by improved performance from IT products and services business segment, which strengthened 2.0% to \$76.1 M in 1Q2018, from \$76.6 M in 1Q2017. The growth in this segment was mainly attributed to revenue contribution from retail operations, partially offset by lower revenue contribution from online marketplace.

Revenue from the electronic signage services business segment decreased to \$0.1 M from \$0.6 M, mainly due to partial completion of a major project in 1Q2017.

Revenue from the telephonic call centre and data management services marketing call centre improved by 27.3% to \$1.4 M in 1Q2018 as more projects were secured in 1Q2018 compared to the corresponding period last year.

Profit after taxation

The Group registered PAT of \$5.2 M in 1Q2018, up by \$2.1 M as compared to \$3.1 M in 1Q2017.

The increase in PAT was mainly due to the following:

- a) increase in overall gross profit by about \$1.7 M due to stronger retail sales;
- b) increase in other income of \$0.3 M mainly due to higher receipt from Government Wage Credit Scheme;
- c) lower employee benefits expenses of \$0.4 M;
- d) decrease in depreciation expenses by \$0.1 M; and
- e) lower operating expenses of \$0.3 M.

Working capital, assets and liabilities

As at 31 March 2018, the Group has cash of approximately \$65.7 M.

The Group recorded an operating cash inflow of about \$2.3 M in 1Q2018. This has resulted mainly from the following:

- a) operating profit derived for 1Q2018 of \$6.9 M;
- b) decrease of trade, other payables and accrued liabilities of \$3.4 M;
- c) decrease of other liabilities of \$0.6 M;
- d) decrease of trade, other receivables and other assets of \$0.3 M;
- e) increase in inventory of \$0.5 M; and
- f) income tax paid of \$0.4 M.

The Group received interests from fixed deposits and bonds of \$0.1 M during the period, resulted a net cash inflow for investing activities. Hence, cash and cash equivalents increased by about \$2.4 M for the period ended 31 March 2018.

- 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

We expect the operating environment in the retail sector to remain challenging. In this regard, we will continue to provide good value to our customers so as to increase our revenue from our omnichannel retailing. Meanwhile, we will expand into new concepts at new locations and also store-in-store concepts within Challenger stores.

b. Electronic signage services

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

11 Dividend

- (a) Current Financial Period Reported On**

None.

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

None.

- (c) Date Payable**

Not applicable.

- (d) Books Closure Date**

Not applicable.

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

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

There is no dividend declared for this quarter.

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

There is no IPT mandate obtained.

14 Confirmation By the 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 first quarter ended 31 March 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors

LOO LEONG THYE
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

TAN WEE KO
EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

BY ORDER OF THE BOARD

LOO LEONG THYE
DIRECTOR AND CHIEF EXECUTIVE OFFICER
DATE: 10 May 2018