

Challenger Technologies Limited



FIRST QUARTER UNAUDITED FINANCIAL STATEMENT

FOR THE FINANCIAL PERIOD ENDED

31 MARCH 2017

Co Reg No: 198400182 K

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2017

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		Change
	3 months ended		
	31.03.2017	31.03.2016	
	\$'000	\$'000	%
Revenue	76,452	90,385	(15)
Other Items of Income			
Interest Income	162	161	1
Other Gains [Note (A)]	214	554	(61)
Other Items of Expense			
Changes in Inventories of Finished Goods	(4,055)	2,038	(299)
Purchase of Goods and Consumables	(56,183)	(74,248)	(24)
Other Consumables Used	(242)	(225)	8
Depreciation Expense	(867)	(1,155)	(25)
Employee Benefits Expense	(5,879)	(6,303)	(7)
Other Expenses [Note (B)]	(5,538)	(6,612)	(16)
Other Losses [Note (A)]	(216)	(130)	66
Profit Before Tax from Continuing Operations	<u>3,848</u>	<u>4,465</u>	(14)
Income Tax Expense	(599)	(783)	(23)
Profit from Continuing Operations, Net of Tax	<u><u>3,249</u></u>	<u><u>3,682</u></u>	(12)
Other Comprehensive Income:			
Items that May Be Reclassified Subsequently to Profit or Loss:			
Exchange Difference on Translating Foreign Operations, Net of tax	(20)	62	(132)
Other Comprehensive Income for the Period, Net of Tax	<u>(20)</u>	<u>62</u>	(132)
Total Comprehensive Income	<u><u>3,229</u></u>	<u><u>3,744</u></u>	(14)
Profit Attributable to Owners of the Parent, Net of Tax	3,206	3,758	(15)
Profit / (loss) Attributable to Non-Controlling Interests, Net of Tax	43	(76)	(157)
	<u>3,249</u>	<u>3,682</u>	(12)
Total Comprehensive Income Attributable to Owners of the Parent, Net of Tax	3,186	3,820	(17)
Profit / (loss) Attributable to Non-Controlling Interests, Net of Tax	43	(76)	(157)
	<u>3,229</u>	<u>3,744</u>	(14)
Note:			
Profit before income tax is arrived after charging/ (crediting) the followings:			
Note (A) - Other (Losses) / Gains			
Foreign exchange adjustment losses	(14)	(130)	(89)
Sundry income	214	554	(61)
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)	-	N.M.
	<u>(2)</u>	<u>424</u>	(100)
Presented in profit or loss as:			
Other Gains	214	554	(61)
Other Losses	(216)	(130)	66
	<u>(2)</u>	<u>424</u>	(100)
Note (B) - Other Expenses			
Rental expenses	(3,719)	(4,397)	(15)
Other operating expenses	(950)	(1,233)	(23)
Selling and distribution costs	(869)	(982)	(12)
	<u>(5,538)</u>	<u>(6,612)</u>	(16)

N.M. = not meaningful

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2017

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	
	31.03.2017 \$'000	31.12.2016 \$'000	31.03.2017 \$'000	31.12.2016 \$'000
ASSETS				
Non-Current Assets				
Investment in Associate	-	-	-	-
Investments in Subsidiaries	-	-	8,072	8,072
Other Financial Assets	5,115	6,134	4,805	5,825
Property, Plant and Equipment	9,771	10,547	9,626	10,382
Total Non-Current Assets	14,886	16,681	22,503	24,279
Current Assets				
Cash and Cash Equivalents	54,253	52,273	43,815	41,950
Trade and Other Receivables	6,432	5,772	7,898	6,602
Other Assets	5,287	5,019	5,150	4,860
Inventories	32,985	37,160	32,639	36,837
Total Current Assets	98,957	100,224	89,502	90,249
Total Assets	113,843	116,905	112,005	114,528
EQUITY AND LIABILITIES				
Equity attributable to Owners of the Parent				
Share Capital	18,775	18,775	18,775	18,775
Retained Earnings	63,773	60,567	67,307	63,876
Other Reserves	(234)	(242)	(43)	(71)
Equity, Attributable to Owners of the Parent	82,314	79,100	86,039	82,580
Non-Controlling Interests	451	408	-	-
Total Equity	82,765	79,508	86,039	82,580
Non-Current Liabilities				
Deferred Tax Liabilities	22	22	-	-
Provisions	1,669	1,736	1,669	1,736
Other Liabilities, Non-Current	3,181	2,684	1,577	1,000
Total Non-Current Liabilities	4,872	4,442	3,246	2,736
Current Liabilities				
Trade and Other Payables	15,900	22,221	14,255	20,380
Income Tax Payable	4,056	3,510	3,736	3,153
Other Liabilities, Current	6,250	7,224	4,729	5,679
Total Current Liabilities	26,206	32,955	22,720	29,212
Total Liabilities	31,078	37,397	25,966	31,948
Total Equity and Liabilities	113,843	116,905	112,005	114,528

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 2017

- 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

	31.03.2017 \$'000	31.03.2016 \$'000
Cash Flow From Operating Activities		
Profit Before Tax	3,848	4,465
Adjustments for:		
Depreciation Expense	867	1,155
Losses on Disposal of Plant and Equipment	34	-
Losses on Disposal of Available-For-Sale Financial Assets	48	-
Interest Income	(162)	(161)
Provisions, Non-Current	(67)	-
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	(20)	62
Operating Cash Flows Before Working Capital Changes	<u>4,548</u>	<u>5,521</u>
Trade and Other Receivables	(660)	(1,258)
Other Assets	(268)	(259)
Inventories	4,175	(2,038)
Trade and Other Payables	(6,322)	(304)
Other Liabilities	(477)	(805)
Net Cash Flows From Operations	<u>996</u>	<u>857</u>
Income Tax Paid	(53)	(79)
Net Cash Flows From Operating Activities	<u>943</u>	<u>778</u>
Cash Flows From Investing Activities		
Interest Received	162	161
Proceeds from Disposal of Available-For-Sale Financial Assets	1,000	-
Purchase of Plant and Equipment	(125)	(451)
Net Cash Flows From / (Used in) Investing Activities	<u>1,037</u>	<u>(290)</u>
Cash Flows From Financing Activities		
Investment in a subsidiary by non-controlling interests	-	160
Net Cash Flows From Financing Activities	<u>-</u>	<u>160</u>
Net Increase in Cash and Cash Equivalents	1,980	648
Cash and Cash Equivalents, Consolidated Statement of Cash Flow , Beginning Balance	<u>52,273</u>	<u>41,653</u>
Cash and Cash Equivalents, Consolidated Statement of Cash Flow , Ending Balance	<u>54,253</u>	<u>42,301</u>

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FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2017

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					Non-controlling Interests \$'000
	Total Equity \$'000	Attributable to Parent sub-total \$'000	Share Capital \$'000	Retained Earnings \$'000	Other Reserves \$'000	
Group						
Current Period:						
Opening Balance at 1 January 2017	79,508	79,100	18,775	60,567	(242)	408
Movements in Equity:						
Total Comprehensive Income for the Period	3,228	3,185	-	3,206	(21)	43
Reclassification adjustment on sale of available -for-sale investment from reserves	29	29	-	-	29	-
Closing Balance at 31 March 2017	82,765	82,314	18,775	63,773	(234)	451
Previous Period:						
Opening Balance at 1 January 2016	76,665	75,961	18,775	57,430	(244)	704
Movements in Equity:						
Total Comprehensive Income for the Period	3,744	3,820	-	3,758	62	(76)
Issue of Share Capital to Non-controlling Interests	160	-	-	-	-	160
Closing Balance at 31 March 2016	80,569	79,781	18,775	61,188	(182)	788
Company						
Current Period:						
Opening Balance at 1 January 2017	82,580	82,580	18,775	63,876	(71)	-
Movements in Equity:						
Total Comprehensive Income for the Period	3,459	3,459	-	3,431	28	-
Closing Balance at 31 March 2017	86,039	86,039	18,775	67,307	(43)	-
Previous Period:						
Opening Balance at 1 January 2016	76,683	76,683	18,775	58,028	(120)	-
Movements in Equity:						
Total Comprehensive Income for the Period	3,962	3,962	-	3,962	-	-
Closing Balance at 31 March 2016	80,645	80,645	18,775	61,990	(120)	-

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2017

- 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 first quarter of 2017. As at 31 March 2017, the Company's issued and paid up capital comprises 345,207,961 (31 December 2016: 345,207,961) ordinary shares and \$18,775,054 (31 December 2016: \$18,775,054) respectively.

There were no outstanding convertibles issued or treasury shares held by the Company or subsidiary holdings as at 31 March 2017 and 31 March 2016.

- 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.**

	31.03.2017	31.12.2016
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.

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2017

- 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 2016, except for the adoption of the new and revised Financial Reporting Standards, including its consequential amendment and interpretations ("FRS") which became effective for financial years beginning on or after 1 January 2017, if any.

The adoption of the new and revised FRS does not have any material impact to the financial statements for the Group and Company for the period ended 31 March 2017.

- 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	
	31.03.2017	31.03.2016
	cents	cents
Earnings per share based on consolidated profit after taxation and minority interest		
- on weighted average number of shares	0.93	1.09
- on a fully diluted basis	0.93	1.09

(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	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
	cents	cents	cents	cents
Net asset value per share based on existing issued share capital as at the end of the respective period	23.84	22.91	23.36	23.92

The net asset value per ordinary share of the Group and the Company as at 31 March 2017 and 31 December 2016 is computed based on the total number of issued shares of 345,207,961.

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FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2017

- 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 2017 ("1Q2017"), the Group's revenue of \$76.5 M was 15.4% lower than \$90.4 M recorded in the last corresponding quarter.

Revenue from the IT products and services business segment decreased 16.0% to \$74.7 M, from \$88.9 M in the last corresponding quarter. This was primarily due to weaker performance from retail operations, lower revenue contribution from corporate sales and tradeshow division, partially offset by revenue contribution from online marketplace.

Revenue from the electronic signage services business segment grew two-fold to \$0.6 M from \$0.3 M, supported by partial completion of a major project in 1Q2017.

Revenue from the marketing call centre remained relatively stable at \$1.1 M in 1Q2017 compared to 1Q2016.

Profit after taxation

The Group registered PAT of \$3.2 M in 1Q2017, lower by \$0.5 M as compared to \$3.7 M in 1Q2016.

The decrease in PAT was mainly due to the following:

- a) decrease in overall gross profit by about \$2.0 M due to weaker retail sales;
- b) decrease in other income of \$0.3 M mainly due to lower receipt from Government Wage Credit Scheme; and
- c) a provision of allowance for inventories of \$0.1 M made in 1Q2017.

The above items have been offset by:

- d) lower employee benefits expenses of \$0.4 M;
- e) decrease in depreciation expenses by \$0.3 M;
- f) lower operating expenses of \$0.3 M;
- g) decrease in rental expenses by \$0.7 M; and
- h) lower income tax provision of \$0.2 M.

Working capital, assets and liabilities

The Group recorded an operating cash inflow of about \$0.9 M in 1Q2017. This has resulted mainly from the following:

- a) operating profit derived for 1Q2017 of \$4.5 M;
- b) decrease of trade, other payables and accrued liabilities of \$6.3 M;
- c) decrease of other liabilities of \$0.5 M;
- d) increase of trade, other receivables and other assets of \$0.9 M;
- e) decrease in inventory of \$4.2 M; and
- f) income tax paid of \$0.1 M.

The net cash outflow for investing activities was mainly due to acquisitions of equipment and renovations of \$0.1 M, partially offset by proceeds arising from disposal of bonds investment of \$1.0 M. In addition, the Group received interests from fixed deposits and bonds of \$0.2 M. Hence, cash and cash equivalents increased by about \$2.0 M for the period ended 31 March 2017.

Other than the above, no significant difference was noted for other working capital, assets and liabilities, except for the decreased inventory level and trade payables as a result of the Group's effort to manage inventory holdings.

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- 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

The Group has recently opened the much-awaited new flagship store at Bugis Junction. This gives rise to a total retail network of 40 stores in Singapore as of todate.

Amidst challenging retail operating environment, the Group continues to further enhance our Hachi.tech's capabilities and functions to increase our competitive advantage so as to further strengthen our market position in the online business.

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.

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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 2017 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: 9 May 2017