

**Challenger  
Technologies  
Limited**



**THIRD QUARTER UNAUDITED FINANCIAL STATEMENT  
FOR THE FINANCIAL PERIOD ENDED  
30 SEPTEMBER 2016**

Co Reg No: 198400182 K

- 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			9 months ended		
	30.09.2016	30.09.2015		30.09.2016	30.09.2015	
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Revenue</b>	74,398	88,193	(16)	256,028	256,657	(0)
<b>Other Items of Income</b>						
Interest Income	134	88	52	404	294	37
Other Gains [note (A)]	18	365	(95)	808	997	(19)
<b>Other Items of Expense</b>						
Changes in Inventories of Finished Goods	6,895	941	633	783	5,042	(84)
Purchase of Goods and Consumables	(65,373)	(72,355)	(10)	(204,166)	(210,739)	(3)
Other Consumables Used	(197)	(213)	(8)	(514)	(466)	10
Depreciation Expense	(985)	(1,100)	(10)	(3,277)	(3,196)	3
Employee Benefits Expense	(5,819)	(5,857)	(1)	(18,921)	(17,282)	9
Other Expenses [Note (B)]	(5,549)	(6,112)	(9)	(18,532)	(18,316)	1
Other Losses [Note (A)]	(1,395)	(1)	139,400	(1,400)	(32)	4,275
<b>Profit Before Tax from Continuing Operations</b>	2,127	3,949	(46)	11,213	12,959	(13)
Income Tax Expense	(374)	(410)	(9)	(2,140)	(2,172)	(1)
<b>Profit from Continuing Operations, Net of Tax</b>	1,753	3,539	(50)	9,073	10,787	(16)
<b>Other Comprehensive Income (Loss):</b>						
<b>Items that May Be Reclassified Subsequently to Profit or Loss:</b>						
Exchange Differences on Translating Foreign Operations, Net of tax	10	(79)	(113)	(75)	(211)	(64)
Gain on Available-for-sale Financial Assets, Reclassified from Equity to Profit or Loss as a Reclassification Adjustment	37	-	N.M.	37	-	N.M.
<b>Other Comprehensive (Loss) Income for the Period, Net of Tax</b>	47	(79)	(159)	(38)	(211)	(82)
<b>Total Comprehensive Income</b>	1,800	3,460	(48)	9,035	10,576	(15)
<b>Profit Attributable to Owners of the Parent, Net of Tax</b>	1,747	3,481	(50)	9,267	10,600	(13)
<b>Profit Attributable to Non-Controlling Interests, Net of Tax</b>	6	58	(90)	(194)	187	(204)
	1,753	3,539	(50)	9,073	10,787	(16)
<b>Total Comprehensive Income Attributable to Owners of the Parent</b>	1,794	3,402	(47)	9,229	10,389	(11)
<b>Total Comprehensive Income Attributable to Non-Controlling Interests</b>	6	58	(90)	(194)	187	(204)
<b>Total Comprehensive Income</b>	1,800	3,460	(48)	9,035	10,576	(15)
<b>Note:</b>						
<b>Profit before income tax is arrived after (charging)/ crediting the followings:</b>						
<b>Note (A) - Other (Losses) / Gains</b>						
Foreign exchange adjustment gains / (losses)	7	151	(95)	(5)	301	(102)
Sundry income	11	214	(95)	808	696	16
Loss on disposal of plant and equipment	(219)	(1)	21,800	(219)	(32)	584
Provision for impairment on other financial assets	(1,164)	-	N.M.	(1,164)	-	N.M.
Loss on disposal of other financial assets	(12)	-	N.M.	(12)	-	N.M.
	(1,377)	364	(478)	(592)	965	(161)
Presented in profit or loss as:						
Other Gains	18	365	(95)	808	997	(19)
Other Losses	(1,395)	(1)	139,400	(1,400)	(32)	4,275
	(1,377)	364	(478)	(592)	965	(161)
<b>Note (B) - Other Expenses</b>						
Rental expenses	(3,721)	(4,237)	(12)	(11,972)	(12,617)	(5)
Other operating expenses	(951)	(953)	(0)	(3,564)	(2,880)	24
Selling and distribution costs	(877)	(922)	(5)	(2,996)	(2,819)	6
	(5,549)	(6,112)	(9)	(18,532)	(18,316)	1

N.M. = not meaningful

CHALLENGER TECHNOLOGIES LIMITED

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

- 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	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Investment in Associate	-	-	-	-
Investments in Subsidiaries	-	-	7,903	5,153
Other Financial Assets	7,262	8,749	5,812	6,288
Property, Plant and Equipment	11,158	12,834	10,911	12,482
<b>Total Non-Current Assets</b>	<b>18,420</b>	<b>21,583</b>	<b>24,626</b>	<b>23,923</b>
<b>Current Assets</b>				
Cash and Cash Equivalents	39,132	41,653	24,134	33,430
Trade and Other Receivables	6,755	5,780	11,703	6,555
Other Assets	5,277	4,961	5,141	4,799
Inventories	38,445	37,662	38,300	37,597
<b>Total Current Assets</b>	<b>89,609</b>	<b>90,056</b>	<b>79,278</b>	<b>82,381</b>
<b>Total Assets</b>	<b>108,029</b>	<b>111,639</b>	<b>103,904</b>	<b>106,304</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to Owners of the Parent</b>				
Share Capital	18,775	18,775	18,775	18,775
Retained Earnings	57,549	57,430	58,877	58,028
Other Reserves	(282)	(244)	(83)	(120)
<b>Equity, Attributable to Owners of the Parent</b>	<b>76,042</b>	<b>75,961</b>	<b>77,569</b>	<b>76,683</b>
Non-Controlling Interests	368	704	-	-
<b>Total Equity</b>	<b>76,410</b>	<b>76,665</b>	<b>77,569</b>	<b>76,683</b>
<b>Non-Current Liabilities</b>				
Deferred Tax Liabilities	22	22	-	-
Provisions	1,723	1,892	1,723	1,892
Other Liabilities, Non-Current	4,644	2,805	2,880	992
<b>Total Non-Current Liabilities</b>	<b>6,389</b>	<b>4,719</b>	<b>4,603</b>	<b>2,884</b>
<b>Current Liabilities</b>				
Trade and Other Payables	17,428	18,344	15,987	16,968
Income Tax Payable	2,534	3,395	1,987	3,022
Hire Purchase Liabilities, Current	18	-	18	-
Other Liabilities, Current	5,250	8,516	3,740	6,747
<b>Total Current Liabilities</b>	<b>25,230</b>	<b>30,255</b>	<b>21,732</b>	<b>26,737</b>
<b>Total Liabilities</b>	<b>31,619</b>	<b>34,974</b>	<b>26,335</b>	<b>29,621</b>
<b>Total Equity and Liabilities</b>	<b>108,029</b>	<b>111,639</b>	<b>103,904</b>	<b>106,304</b>

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

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

30.09.2016		31.12.2015	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
18	-	-	-

**Amount repayable after one year**

Nil.

**Details of any collateral**

Finance lease liabilities secured by the rights to the van.

- 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**

	<b>3 months ended</b>		<b>9 months ended</b>	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	\$'000	\$'000	\$'000	\$'000
<b>Cash Flow From Operating Activities</b>				
Profit Before Tax	2,127	3,949	11,213	12,959
Adjustments for:				
Depreciation Expense	985	1,100	3,277	3,196
Loss on Disposal of Plant and Equipment	219	1	219	32
Provision for Impairment on Other Financial Assets	1,164	-	1,164	-
Loss on Disposal of Other Financial Assets	12	-	12	-
Interest Income	(134)	(88)	(404)	(294)
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	10	(79)	(75)	(211)
Operating Cash Flows Before Working Capital Changes	4,383	4,883	15,406	15,682
Trade and Other Receivables	573	3,140	(975)	(948)
Other Assets	(287)	(89)	(316)	(264)
Inventories	(6,895)	(942)	(783)	(4,962)
Trade and Other Payables	4,572	2,143	(918)	(7,465)
Other Liabilities	(528)	(77)	(1,427)	168
Net Cash Flows From Operations	1,818	9,058	10,987	2,211
Income Taxes Paid	(1,191)	(1,260)	(3,001)	(3,008)
Net Cash Flows From / (Used In) Operating Activities	627	7,798	7,986	(797)
<b>Cash Flows From Investing Activities</b>				
Interest Received	134	88	404	294
Increase in Other Financial Assets	-	(2,755)	(152)	(2,755)
Proceeds from Disposal of Other Financial Assets	500	-	500	-
Purchase of Plant and Equipment	(985)	(1,196)	(1,969)	(2,507)
Net Cash Flows Used in Investing Activities	(351)	(3,863)	(1,217)	(4,968)
<b>Cash Flows From Financing Activities</b>				
Dividends paid to equity owners	(3,797)	(3,797)	(9,148)	(8,112)
Dividends Paid to Non-Controlling Interests	-	-	(300)	(300)
Investment in a subsidiary by non-controlling interests	-	-	160	-
Repayment of Finance Lease	(2)	-	(2)	-
Net Cash Flows Used in Financing Activities	(3,799)	(3,797)	(9,290)	(8,412)
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>	(3,523)	138	(2,521)	(14,177)
Cash and Cash Equivalents, Consolidated Statement of Cash Flow, Beginning Balance	42,655	38,306	41,653	52,621
<b>Cash and Cash Equivalents, Consolidated Statement of Cash Flow, Ending Balance</b>	<b>39,132</b>	<b>38,444</b>	<b>39,132</b>	<b>38,444</b>

- 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 \$'000	Attributable to Parent sub-total \$'000	Share Capital \$'000	Retained Earnings \$'000	Other Reserves \$'000	Non-controlling Interests \$'000
<b>Group</b>						
<b>Current Period:</b>						
Opening Balance at 1 January 2016	76,665	75,961	18,775	57,430	(244)	704
<b>Movements in Equity:</b>						
Total Comprehensive Income for the Period	7,233	7,435	-	7,520	(85)	(202)
Dividends paid	(5,651)	(5,351)	-	(5,351)	-	(300)
Issue of Share Capital to Non-controlling Interests	160	-	-	-	-	160
<b>Closing Balance at 30 June 2016</b>	<b>78,407</b>	<b>78,045</b>	<b>18,775</b>	<b>59,599</b>	<b>(329)</b>	<b>362</b>
Total Comprehensive Income for the Period	1,800	1,794	-	1,747	47	6
Dividends paid	(3,797)	(3,797)	-	(3,797)	-	-
<b>Closing Balance at 30 September 2016</b>	<b>76,410</b>	<b>76,042</b>	<b>18,775</b>	<b>57,549</b>	<b>(282)</b>	<b>368</b>
<b>Previous Period:</b>						
Opening Balance at 1 January 2015	66,888	66,318	18,775	47,294	249	570
<b>Movements in Equity:</b>						
Total Comprehensive Income for the Period	7,117	6,987	-	7,119	(132)	130
Dividends paid	(4,615)	(4,315)	-	(4,315)	-	(300)
<b>Closing Balance at 30 June 2015</b>	<b>69,390</b>	<b>68,990</b>	<b>18,775</b>	<b>50,098</b>	<b>117</b>	<b>400</b>
Total Comprehensive Income for the Period	3,460	3,402	-	3,481	(79)	58
Dividends paid	(3,797)	(3,797)	-	(3,797)	-	-
<b>Closing Balance at 30 September 2015</b>	<b>69,053</b>	<b>68,595</b>	<b>18,775</b>	<b>49,782</b>	<b>38</b>	<b>458</b>
<b>Company</b>						
<b>Current Period:</b>						
Opening Balance at 1 January 2016	76,683	76,683	18,775	58,028	(120)	-
<b>Movements in Equity:</b>						
Total Comprehensive Income for the Period	7,440	7,440	-	7,440	-	-
Dividends paid	(5,351)	(5,351)	-	(5,351)	-	-
<b>Closing Balance at 30 June 2016</b>	<b>78,772</b>	<b>78,772</b>	<b>18,775</b>	<b>60,117</b>	<b>(120)</b>	<b>-</b>
Total Comprehensive Income for the Period	2,594	2,594	-	2,557	37	-
Dividends paid	(3,797)	(3,797)	-	(3,797)	-	-
<b>Closing Balance at 30 September 2016</b>	<b>77,569</b>	<b>77,569</b>	<b>18,775</b>	<b>58,877</b>	<b>(83)</b>	<b>-</b>
<b>Previous Period:</b>						
Opening Balance at 1 January 2015	67,206	67,206	18,775	48,433	(2)	-
<b>Movements in Equity:</b>						
Total Comprehensive Income for the Period	9,117	9,117	-	9,117	-	-
Dividends paid	(4,315)	(4,315)	-	(4,315)	-	-
<b>Closing Balance at 30 June 2015</b>	<b>72,008</b>	<b>72,008</b>	<b>18,775</b>	<b>53,235</b>	<b>(2)</b>	<b>-</b>
Total Comprehensive Income for the Period	3,585	3,585	-	3,585	-	-
Dividends paid	(3,797)	(3,797)	-	(3,797)	-	-
<b>Closing Balance at 30 September 2015</b>	<b>71,796</b>	<b>71,796</b>	<b>18,775</b>	<b>53,023</b>	<b>(2)</b>	<b>-</b>

- 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 third quarter of 2016. As at 30 September 2016, the Company's issued and paid up capital comprises 345,207,961 (31 December 2015: 345,207,961) ordinary shares and \$18,775,054 (31 December 2015: \$18,775,054) respectively.

There were no outstanding convertibles issued or treasury shares held by the Company as at 30 September 2016 and 30 September 2015.

- 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.**

	<b>30.09.2016</b>	<b>31.12.2015</b>
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.

- 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.

**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 2015, 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 2016, 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 30 September 2016.

**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**

	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	cents	cents	cents	cents
<u>Group</u>				
Earnings per share based on consolidated profit after taxation and non-controlling interests				
- on weighted average number of shares	0.51	1.01	2.68	3.07
- on a fully diluted basis	0.51	1.01	2.68	3.07

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	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
	cents	cents	cents	cents
Net asset value per share based on existing issued share capital as at the end of the respective period	22.03	22.00	22.47	22.21

The net asset value per ordinary share of the Group and the Company as at 30 September 2016 and 31 December 2015 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 \$74.4 M for the three months ended 30 September 2016 ("3Q2016"), a decrease of 15.6% or \$13.8 M compared to the revenue of \$88.2 M for the three months ended 30 September 2015 ("3Q2015"). The decrease in revenue was primarily driven by weaker performance from IT products and services business segment, which decreased 16.0% to \$73.1 M in 3Q2016, from \$87.0 M in 3Q2015. This was mainly due to softer corporate sales, tradeshow and lower revenue from retail operations totalled \$25.6 M. This was partially offset by contribution from online sales marketplace of \$11.7M.

Revenue from the electronic signage services business segment was about two times higher at \$0.2 M in 3Q2016 compared to \$0.1 M in 3Q2015, supported by completion of projects in 3Q2016.

Revenue from the telephonic call centre and data management services down slightly by 4% or \$0.1 M to \$1.1 M in 3Q2016 compared to 3Q2015 due to lesser projects on event management in 3Q2016.

#### Profit after taxation ("PAT")

The Group registered a lower PAT of \$1.8 M in 3Q2016, as compared to \$3.5 M in 3Q2015.

The decrease in PAT of \$1.7 M was mainly due to the following:

- a) provision for impairment of \$1.2 M on investment in a last mile delivery company;
- b) decrease in overall gross profit by about \$0.8 M due to weaker retail sales;
- c) decreased in other income of \$0.2 M; and
- d) lower foreign exchange gain of about \$0.1 M arising from translation of foreign currencies balances.

The above items have been offset by decrease in other expenses and depreciation charge by \$0.6 M.

Without the impairment loss provision, PAT for 3Q2016 would only decrease by 17%.

#### Working capital, assets and liabilities

For the third quarter ended 30 September 2016, the Group has cash of approximately \$39.1 M.

The Group recorded an operating cash inflow of about \$0.6 M in 3Q2016. This has resulted mainly from the following:

- a) operating profit derived for 3Q2016 of \$4.4 M;
- b) decrease of trade, other receivables and other assets of \$0.3 M;
- c) increase in inventory of \$6.9 M;
- d) increase of trade, other payables and accrued liabilities of \$4.5 M;
- e) decrease of other liabilities of \$0.5 M; and
- f) income tax paid of \$1.2 M.

The net cash outflow for investing activities was mainly due to acquisitions of equipment and renovations of \$0.9 M, partially offset by proceeds arising from disposal of a bond investment of \$0.5 M as well as interests received from fixed deposits and bonds of \$0.1 M. Meanwhile, a net cash outflow of \$3.8 M was used to pay as dividend to shareholders and non-controlling interests. Hence, cash and cash equivalents decreased by about \$3.5 M for the period ended 30 September 2016.

Other than the above, no significant difference was noted for other working capital, assets and liabilities, except for the increased inventory level and trade payables as a result of the Group's planning to improve product mix and to cater for year end festive season.



- 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**

Overall, the Group expects the business environment to be difficult in the near term. With more emphasis on the Hachi.tech online platform to stimulate growth opportunities, the Group expects to mitigate the impact coming from the negative retail operating environment. At the same time, the Group will continue its initiatives to rationalise weak performing retail stores and open stores at strategic locations.

Currently, there is one new store located at Tampines Hub due to be opened in this month and the Group has recently confirmed the new flagship store at Bugis Junction which is set to open by the second quarter of 2017. As of today, the Group has a total retail network of 44 stores, spread across Singapore.

**b. Electronic signage services**

We will continue to explore opportunities to work 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/recommended, a statement to that effect**

Not applicable.

**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 third quarter ended 30 September 2016 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: 1 November 2016