

Challenger Technologies Limited



FIRST QUARTER UNAUDITED FINANCIAL STATEMENT

FOR THE FINANCIAL PERIOD ENDED

31 MARCH 2016

Co Reg No: 198400182 K

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2016

- 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 3 months ended		Change
	31.03.2016 \$'000	31.03.2015 \$'000	%
Revenue	90,385	83,791	8
<u>Other Items of Income</u>			
Interest Income	161	109	48
Other Gains [Note (A)]	554	677	(18)
<u>Other Items of Expense</u>			
Changes in Inventories of Finished Goods	2,038	1,505	35
Purchase of Goods and Consumables	(74,248)	(68,549)	8
Other Consumables Used	(225)	(133)	69
Depreciation Expense	(1,155)	(1,058)	9
Employee Benefits Expense	(6,303)	(5,453)	16
Other Expenses [Note (B)]	(6,612)	(6,227)	6
Other Losses [Note (A)]	(130)	(29)	348
Profit Before Tax from Continuing Operations	<u>4,465</u>	<u>4,633</u>	(4)
Income Tax Expense	(783)	(875)	(11)
Profit from Continuing Operations, Net of Tax	<u>3,682</u>	<u>3,758</u>	(2)
<u>Other Comprehensive Loss:</u>			
Items that May Be Reclassified Subsequently to Profit or Loss:			
Exchange Difference on Translating Foreign Operations, Net of tax	62	(143)	(143)
Other Comprehensive Income / (Loss) for the Period, Net of Tax	<u>62</u>	<u>(143)</u>	(143)
Total Comprehensive Income	<u>3,744</u>	<u>3,615</u>	4
Profit Attributable to Owners of the Parent, Net of Tax	3,758	3,692	2
Profit Attributable to Non-Controlling Interests, Net of Tax	<u>(76)</u>	<u>66</u>	(215)
	<u>3,682</u>	<u>3,758</u>	(2)
Total Comprehensive Income Attributable to Owners of the Parent, Net of Tax	3,820	3,549	8
Profit Attributable to Non-Controlling Interests, Net of Tax	<u>(76)</u>	<u>66</u>	(215)
	<u>3,744</u>	<u>3,615</u>	4
Note:			
Profit before income tax is arrived after charging/ (crediting) the followings:			
<u>Note (A) - Other Gains / (Losses)</u>			
Foreign exchange adjustment (loss) / gain	(130)	211	(162)
Sundry income	554	466	19
Loss on disposal of plant and equipment	-	(29)	N.M.
	<u>424</u>	<u>648</u>	(35)
Presented in profit or loss as:			
Other Gains	554	677	(18)
Other Losses	<u>(130)</u>	<u>(29)</u>	348
	<u>424</u>	<u>648</u>	(35)
<u>Note (B) - Other Expenses</u>			
Rental expenses	(4,397)	(4,316)	2
Other operating expenses	(1,233)	(980)	26
Selling and distribution costs	<u>(982)</u>	<u>(931)</u>	5
	<u>(6,612)</u>	<u>(6,227)</u>	6

N.M. = not meaningful

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 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	
	31.03.2016 \$'000	31.12.2015 \$'000	31.03.2016 \$'000	31.12.2015 \$'000
<u>ASSETS</u>				
<u>Non-Current Assets</u>				
Investment in Associate	-	-	-	-
Investments in Subsidiaries	-	-	5,153	5,153
Other Financial Assets	8,749	8,749	6,288	6,288
Property, Plant and Equipment	12,160	12,834	11,853	12,482
Total Non-Current Assets	20,909	21,583	23,294	23,923
<u>Current Assets</u>				
Cash and Cash Equivalents	42,301	41,653	32,907	33,430
Trade and Other Receivables	7,038	5,780	9,592	6,555
Other Assets	5,220	4,961	5,034	4,799
Inventories	39,700	37,662	39,521	37,597
Total Current Assets	94,259	90,056	87,054	82,381
Total Assets	115,168	111,639	110,348	106,304
<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	61,188	57,430	61,990	58,028
Other Reserves	(182)	(244)	(120)	(120)
Equity, Attributable to Owners of the Parent	79,781	75,961	80,645	76,683
Non-Controlling Interests	788	704	-	-
Total Equity	80,569	76,665	80,645	76,683
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	22	22	-	-
Provisions	1,922	1,892	1,922	1,892
Other Liabilities, Non-Current	3,543	2,805	1,465	992
Total Non-Current Liabilities	5,487	4,719	3,387	2,884
<u>Current Liabilities</u>				
Trade and Other Payables	18,040	18,344	16,851	16,968
Income Tax Payable	4,099	3,395	3,803	3,022
Other Liabilities, Current	6,973	8,516	5,662	6,747
Total Current Liabilities	29,112	30,255	26,316	26,737
Total Liabilities	34,599	34,974	29,703	29,621
Total Equity and Liabilities	115,168	111,639	110,348	106,304

- 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 2016

- 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

	31.03.2016 \$'000	31.03.2015 \$'000
Cash Flow From Operating Activities		
Profit Before Tax	4,465	4,633
Adjustments for:		
Depreciation Expense	1,155	1,058
Loss on Disposal of Plant and Equipment	-	29
Interest Income	(161)	(109)
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	62	(143)
Operating Cash Flows Before Working Capital Changes	5,521	5,468
Trade and Other Receivables	(1,258)	(6,076)
Other Assets	(259)	(308)
Inventories	(2,038)	(1,424)
Trade and Other Payables	(304)	(7,964)
Other Liabilities	(805)	12
Net Cash Flows From / (Used in) Operations	857	(10,292)
Income Tax (Paid) / Refund	(79)	3
Net Cash Flows From / (Used) in Operating Activities	778	(10,289)
Cash Flows From Investing Activities		
Interest Received	161	109
Purchase of Plant and Equipment	(451)	(432)
Net Cash Flows Used in Investing Activities	(290)	(323)
Cash Flows From Financing Activities		
Investment in a subsidiary by non-controlling interests	160	-
Net Cash Flows From Financing Activities	160	-
Net Increase / (Decrease) in Cash and Cash Equivalents	648	(10,612)
Cash and Cash Equivalents, Consolidated Statement of Cash Flow , Beginning Balance	41,653	52,621
Cash and Cash Equivalents, Consolidated Statement of Cash Flow , Ending Balance	42,301	42,009

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2016

- 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
<u>Group</u>						
Current 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
Previous Period:						
Opening Balance at 1 January 2015	66,888	66,318	18,775	47,294	249	570
Movements in Equity:						
Total Comprehensive Income for the Period	3,615	3,549	-	3,692	(143)	66
Closing Balance at 31 March 2015	70,503	69,867	18,775	50,986	106	636
<u>Company</u>						
Current 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)	-
Previous Period:						
Opening Balance at 1 January 2015	67,206	67,206	18,775	48,433	(2)	-
Movements in Equity:						
Total Comprehensive Income for the Period	4,001	4,001	-	4,001	-	-
Closing Balance at 31 March 2015	71,207	71,207	18,775	52,434	(2)	-

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2016

- 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 2016. As at 31 March 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 31 March 2016 and 31 March 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.**

	31.03.2016	31.12.2015
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.

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2016

- 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 31 March 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**

	Group	
	31.03.2016	31.03.2015
	cents	cents
Earnings per share based on consolidated profit after taxation and minority interest		
- on weighted average number of shares	1.09	1.07
- on a fully diluted basis	1.09	1.07

(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	
	31.03.2016	31.12.2015	31.03.2016	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	23.11	22.00	23.36	22.21

The net asset value per ordinary share of the Group and the Company as at 31 March 2016 and 31 December 2015 is computed based on the total number of issued shares of 345,207,961.

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2016

- 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 2016 ("1Q2016"), the Group's revenue of \$90.4 M was 7.9% stronger than \$83.8 M achieved in the last corresponding quarter.

Revenue from the IT products and services business segment increased 7.6% to \$88.9 M, from \$82.6 M in the last corresponding quarter primarily due to contribution from corporate sales and tradeshow in Singapore. This was partially offset by lower revenue from retail operations.

Revenue from the electronic signage services business segment grew almost three-fold to \$0.3 M, supported by completion of a major project in 1Q2016.

Revenue from the marketing call centre went up by 10% or \$0.1 M to \$1.2 M in 1Q2016 attributable to more event management projects, higher contribution from repair services and sales of extended warranty compared to the corresponding period last year.

Profit after taxation

The Group registered PAT of \$3.7 M in 1Q2016, slightly lower as compared to \$3.8 M in 1Q2015.

The decrease in PAT of \$0.1 M was mainly due to the following:

- a) higher employee benefits expenses of \$0.9 M;
- b) increase in depreciation expenses by \$0.1 M;
- c) higher operating expenses of \$0.3 M;
- d) Exchange losses of about \$0.1 M arising from translation of foreign currencies balances, while exchange gains of \$0.2 M recorded in the same period last year; and

The above items have been offset by:

- e) increase in overall gross profit by about \$1.3 M due to stronger corporate sales; and
- f) higher coupon and interest income of \$0.1 M received from investment in corporate bonds and fixed deposits placed with banks

Working capital, assets and liabilities

The Group recorded an operating cash inflow of about \$0.8 M in 1Q2016. This has resulted mainly from the following:

- a) operating profit derived for 1Q2016 of \$5.5 M;
- b) decrease of trade, other payables and accrued liabilities of \$0.3 M;
- c) decrease of other liabilities of \$0.8 M;
- c) increase of trade, other receivables and other assets of \$1.5 M; and
- d) increase in inventory of \$2.0 M.
- 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 \$0.4 M. In addition, the Group received interests from fixed deposits and bonds of \$0.1 M as well as fund received from non-controlling interests on issuing of share capital in a subsidiary of \$0.1 M. Hence, cash and cash equivalents increased by about \$0.6 M for the period ended 31 March 2016.

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

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2016

- 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

As of today, the Group has a total retail network of 48 stores in Singapore. Currently, there are two new store openings in the pipeline, which are due to be opened in the third quarter of 2016.

With the continued challenging retail environment and the closure of Funan megastore by the end of second quarter this year, the Group aims to add-on from a brick-and-mortar retailer via the launch of our online marketplace portal in the beginning of April this year. This will enable us to provide a more convenient 24/7 shopping experience to our customers.

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.

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2016

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 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
DIRECTOR AND CHIEF EXECUTIVE OFFICER
DATE: 9 May 2016