

Our Ref: RSMCL/0200/H4/3311

The Board of Directors
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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying interim condensed financial statements which comprise the statements of financial position of the group and company as at 31 March 2019, and the related interim condensed statements of changes in equity of the group and the company and the interim condensed consolidated statement of profit or loss and other comprehensive income and consolidated cash flow statement of the group for the three-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with Singapore Financial Reporting Standard (International) SFRS(I) 1-34 Interim Financial Reporting ("SFRS(I) 1-34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

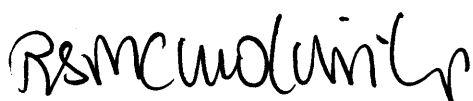
The interim condensed statements of changes in equity of the group and the company and the interim condensed consolidated statement of profit or loss and other comprehensive income and consolidated cash flow statement of the group for the corresponding period from 1 January 2018 to 31 March 2018 included in these interim condensed financial statements are based on management financial information of the group and company, where appropriate. We have not performed an audit or a review of this comparative financial information.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with SFRS(I) 1-34.



RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

31 May 2019

Challenger Technologies Limited



FIRST QUARTER UNAUDITED FINANCIAL STATEMENT

FOR THE FINANCIAL PERIOD ENDED

31 MARCH 2019

Co Reg No: 198400182 K

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 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 Profit or Loss and Other Comprehensive Income

	Group		
	1Q2019	1Q2018	Change
	\$'000	\$'000	%
Revenue	80,933	77,590	4
<u>Other Items of Income</u>			
Interest Income	323	166	95
Other Gains [Note (A)]	220	295	(25)
<u>Other Items of Expense</u>			
Changes in Inventories of Finished Goods	(1,473)	635	N.M.
Purchase of Goods and Consumables	(62,595)	(60,659)	3
Other Consumables Used	(29)	(33)	(12)
Depreciation Expense	(578)	(787)	(27)
Employee Benefits Expense	(5,760)	(5,470)	5
Other Expenses [Note (B)]	(5,908)	(5,320)	11
Other Losses [Note (A)]	(144)	(127)	13
Profit Before Tax from Continuing Operations	4,989	6,290	(21)
Income Tax Expense	(869)	(1,041)	(17)
Profit from Continuing Operations, Net of Tax	4,120	5,249	(22)
<u>Other Comprehensive Income:</u>			
Items that May Be Reclassified Subsequently to Profit or Loss:			
Exchange Difference on Translating Foreign Operations, Net of tax	6	5	20
Other Comprehensive Income for the Period, Net of Tax	6	5	20
Total Comprehensive Income	4,126	5,254	(21)
Profit Attributable to Owners of the Parent, Net of Tax	4,083	5,215	(22)
Profit Attributable to Non-Controlling Interests, Net of Tax	37	34	9
	4,120	5,249	(22)
Total Comprehensive Income Attributable to Owners of the Parent, Net of Tax	4,089	5,220	(22)
Profit Attributable to Non-Controlling Interests, Net of Tax	37	34	9
	4,126	5,254	(21)

Note:

Profit before income tax is arrived after charging/ (crediting) the followings:

Note (A) - Other (Losses) / Gains

Foreign exchange adjustment gains	69	23	200
Sundry income	151	272	(44)
Provision for bad debts - trade	-	(7)	N.M.
Provision for inventories	(144)	(120)	20
	76	168	(55)

Presented in profit or loss as:

Other Gains	220	295	(25)
Other Losses	(144)	(127)	13
	76	168	(55)

Note (B) - Other Expenses

Premises expenses	(4,379)	(3,986)	10
Other operating expenses	(528)	(516)	2
Selling and distribution costs	(1,001)	(818)	22
	(5,908)	(5,320)	11

N.M. = not meaningful

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 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	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
	\$'000	\$'000	\$'000	\$'000
<u>ASSETS</u>				
<u>Non-Current Assets</u>				
Investments in Subsidiaries	-	-	6,031	6,031
Other Financial Assets	6,102	6,102	5,793	5,793
Property, Plant and Equipment	7,052	7,573	6,881	7,389
Rights-of-use assets*	10,100	-	10,100	-
Total Non-Current Assets	23,254	13,675	28,805	19,213
<u>Current Assets</u>				
Cash and Cash Equivalents	66,246	63,240	58,628	55,610
Trade and Other Receivables	11,016	10,138	8,968	8,247
Other Assets	5,837	5,460	5,667	5,322
Inventories	36,249	37,939	36,080	37,785
Other Financial Assets	503	503	503	503
Rights-of-use assets*	9,337	-	9,337	-
Total Current Assets	129,188	117,280	119,183	107,467
Total Assets	152,442	130,955	147,988	126,680
<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	77,498	73,415	77,242	73,227
Other Reserves	(188)	(194)	14	14
Equity, Attributable to Owners of the Parent	96,085	91,996	96,031	92,016
Non-Controlling Interests	374	337	-	-
Total Equity	96,459	92,333	96,031	92,016
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	17	17	-	-
Other Liabilities, Non-Current	2,416	2,759	1,130	1,368
Lease Liabilities*	10,100	-	10,100	-
Total Non-Current Liabilities	12,533	2,776	11,230	1,368
<u>Current Liabilities</u>				
Trade and Other Payables	19,153	21,569	17,872	20,456
Provisions	1,974	1,955	1,974	1,955
Income Tax Payable	5,366	4,587	5,025	4,251
Other Liabilities, Current	7,525	7,735	6,424	6,634
Lease Liabilities*	9,432	-	9,432	-
Total Current Liabilities	43,450	35,846	40,727	33,296
Total Liabilities	55,983	38,622	51,957	34,664
Total Equity and Liabilities	152,442	130,955	147,988	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

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

	31.03.2019 \$'000	31.03.2018 \$'000
Cash Flow From Operating Activities		
Profit Before Tax	4,989	6,290
Adjustments for:		
Depreciation Expense	578	787
Amortisation on Rights-of-use Assets	3,553	-
Interest Expense	156	-
Interest Income	(323)	(166)
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	6	5
Operating Cash Flows Before Working Capital Changes	8,959	6,916
Trade and Other Receivables	(878)	(3)
Other Assets	(377)	287
Inventories	1,690	(515)
Trade and Other Payables	(2,416)	(3,429)
Other Liabilities	(553)	(586)
Net Cash Flows From Operations	6,425	2,670
Income Tax Paid	(90)	(402)
Net Cash Flows From Operating Activities	6,335	2,268
Cash Flows From Investing Activities		
Interest Received	323	166
Purchase of Plant and Equipment	(38)	(9)
Net Cash Flows From Investing Activities	285	157
Cash Flows From Financing Activities		
Principal element of lease payments	(3,458)	-
Interest element of lease payments	(156)	-
Net Cash Flows used in Financing Activities	(3,614)	-
Net Increase in Cash and Cash Equivalents	3,006	2,425
Cash and Cash Equivalents, Consolidated Statement of Cash Flow , Beginning Balance	63,240	63,232
Cash and Cash Equivalents, Consolidated Statement of Cash Flow , Ending Balance	66,246	65,657

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 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 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 2019	92,333	91,996	18,775	73,415	(194)	337
Movements in Equity:						
Total Comprehensive Income for the Period	4,126	4,089	-	4,083	6	37
Closing Balance at 31 March 2019	96,459	96,085	18,775	77,498	(188)	374
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	5,254	5,220	-	5,215	5	34
Closing Balance at 31 March 2018	89,586	89,213	18,775	70,569	(131)	373
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	4,015	4,015	-	4,015	-	-
Closing Balance at 31 March 2019	96,031	96,031	18,775	77,242	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	5,134	5,134	-	5,134	-	-
Closing Balance at 31 March 2018	89,131	89,131	18,775	70,300	56	-

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2019

- 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 2019. As at 31 March 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 31 March 2019 and 31 March 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.**

	31.03.2019	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, 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.

CHALLENGER TECHNOLOGIES LIMITED

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 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 1Q2018 comparative figures have not been restated from that which was previously announced in 1Q2018 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

	Group	
	31.03.2019	31.03.2018
	cents	cents
Earnings per share based on consolidated profit after taxation and minority interest		
- on weighted average number of shares	1.18	1.51
- on a fully diluted basis	1.18	1.51

(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	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
	cents	cents	cents	cents
Net asset value per share based on existing issued share capital as at the end of the respective period	27.83	26.65	27.82	26.66

The net asset value per ordinary share of the Group and the Company as at 31 March 2019 and 31 December 2018 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 2019

- 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 2019 ("1Q2019"), the Group achieved revenue of \$80.9 M, an increase of 4.3% or \$3.3 M compared to the revenue of \$77.6 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 4.2% to \$79.3 M in 1Q2019, from \$76.1 M in 1Q2018. The growth in this segment was mainly attributed to revenue contribution from tradeshow sales.

Revenue from the electronic signage services business segment remained flat at \$0.1 M in 1Q2019 compared to 1Q2018.

Revenue from the telephonic call centre and data management services marketing call centre improved by 14.3% to \$1.6 M in 1Q2019 compared to the corresponding period last year as more projects were secured in the current period.

Profit after taxation

The Group registered PAT of \$4.1 M in 1Q2019, down by \$1.1 M as compared to \$5.2 M in 1Q2018.

The decrease in PAT was mainly due to the following:

- a) decrease in overall gross profit by about \$0.7 M mainly due to lower rebates from vendors. Overall gross profit margin decreased to 21% in 1Q2019 compared to 23% in 1Q2018 mainly due to higher tradeshow sales and competitive pressures in the challenging IT retail market;
- b) increase employee benefits expenses by \$0.3 M mainly due to increased part-timer costs;
- c) higher selling and distribution expenses increased by \$0.2 M mainly from card surcharges and marketing expense;
- d) net impact of \$0.1 M arising from the adoption of SFRS(I) 16 Leases, mainly on amortisation expenses on right-of-use assets and interest expense on lease liabilities;
- e) increase in rental expenses by \$0.3 M due to increased retail stores rental expenses and participation in trade show; and
- f) other income which mainly comprises of government grant decreased by \$0.1 M on lower receipts from Wage Credit Scheme.

The above items have been offset by:

- g) decrease in depreciation expenses by \$0.2 M;
- h) increase interest income from SGD fixed deposits and coupon received from investment in corporate bonds by \$0.2 M; and
- i) lower income tax provision by \$0.1 M.

Other than the above, provision for Inventories of \$0.1 M is for both third parties and house brand products. Foreign exchange gains of \$0.07 M mainly arising from revaluation of RMB transactions.

Working capital, assets and liabilities

As at 31 March 2019, the Group has cash of approximately \$63.1 M.

The Group recorded an operating cash inflow of about \$6.3 M in 1Q2019. This has resulted mainly from the following:

- a) operating profit derived for 1Q2019 of \$9.0 M;
- b) decrease of trade, other payables and accrued liabilities of \$2.4 M;
- c) decrease of other liabilities of \$0.6 M;
- d) increase of trade, other receivables and other assets of \$1.3 M;
- e) decrease in inventory of \$1.7 M; and
- f) income tax paid of \$0.1 M.

The Group received interests from fixed deposits and bonds of \$0.3 M during the period, resulted a net cash inflow for investing activities. Meanwhile, \$3.6 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 31 March 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 \$21.4 M to \$152.4 M and total liabilities which increased by \$17.4 M to \$56.0 M as at 31 March 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.

CHALLENGER TECHNOLOGIES LIMITED

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

The operating environment in the retail sector has remained challenging. However, we will continue to capture sales in new locations we are currently not present by opening new outlets and rationalise underperforming stores. In this regard, the group will be opening three new stores at Jewel Changi, West Coast Plaza and Paya Lebar Quarter by the second half of 2019. Two stores located at Great World City and Thomson Plaza will be closed in the second half of 2019.

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 2019

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

There is no dividend declared for this quarter. The Company does not have a formal dividend policy.

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 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
DIRECTOR AND CHIEF EXECUTIVE OFFICER
DATE: 10 May 2019