

**Challenger
Technologies
Limited**



**THIRD QUARTER UNAUDITED FINANCIAL STATEMENT
FOR THE FINANCIAL PERIOD ENDED
30 SEPTEMBER 2017**

Co Reg No: 198400182 K

CHALLENGER TECHNOLOGIES LIMITED

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

	Group					
	3 months ended		Change	9 months ended		Change
	30.09.2017	30.09.2016		30.09.2017	30.09.2016	
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	77,992	74,398	5	233,123	256,028	(9)
Other Items of Income						
Interest Income	137	134	2	422	404	4
Other Gains [note (A)]	27	18	50	388	808	(52)
Other Items of Expense						
Changes in Inventories of Finished Goods	(3,465)	6,895	(150)	(1,767)	783	(326)
Purchase of Goods and Consumables	(57,813)	(65,373)	(12)	(180,969)	(204,166)	(11)
Other Consumables Used	(82)	(197)	(58)	(481)	(514)	(6)
Depreciation Expense	(871)	(985)	(12)	(2,594)	(3,277)	(21)
Employee Benefits Expense	(5,951)	(5,819)	2	(17,965)	(18,921)	(5)
Other Expenses [Note (B)]	(5,691)	(5,549)	3	(17,022)	(18,532)	(8)
Other Losses [Note (A)]	(190)	(1,395)	(86)	(569)	(1,400)	(59)
Profit Before Tax from Continuing Operations	4,093	2,127	92	12,566	11,213	12
Income Tax Expense	(797)	(374)	113	(2,148)	(2,140)	0
Profit from Continuing Operations, Net of Tax	3,296	1,753	88	10,418	9,073	15
Other Comprehensive Income (Loss):						
Items that May Be Reclassified Subsequently to Profit or Loss:						
Exchange Differences on Translating Foreign Operations,						
Net of tax	2	10	(80)	(21)	(75)	(72)
Available-for-sale Financial Assets, Net of tax	66	-	N.M.	66	-	N.M.
Other Comprehensive Income (Loss) for the Period, Net of Tax	68	10	580	45	(75)	(160)
Total Comprehensive Income	3,364	1,763	91	10,463	8,998	16
Profit Attributable to Owners of the Parent, Net of Tax	3,316	1,747	90	10,362	9,267	12
Profit Attributable to Non-Controlling Interests, Net of Tax	(20)	6	(433)	56	(194)	(129)
	3,296	1,753	88	10,418	9,073	15
Total Comprehensive Income Attributable to Owners of the Parent	3,384	1,757	93	10,407	9,192	13
Total Comprehensive Income Attributable to Non-Controlling Interests	(20)	6	(433)	56	(194)	(129)
Total Comprehensive Income	3,364	1,763	91	10,463	8,998	16
Note:						
Profit before income tax is arrived after (charging)/ crediting the followings:						
Note (A) - Other (Losses) / Gains						
Foreign exchange adjustment gains / (losses)	18	7	157	12	(5)	(340)
Sundry income	9	11	(18)	376	808	(53)
Loss on disposal of plant and equipment	(25)	(219)	(89)	(85)	(219)	(61)
Provision for impairment on other financial assets	-	(1,164)	N.M.	-	(1,164)	N.M.
Losses on disposal of available-for-sale financial assets	(45)	(12)	275	(124)	(12)	933
Provision for inventories	(120)	-	N.M.	(360)	-	N.M.
	(163)	(1,377)	(88)	(181)	(592)	(69)
Presented in profit or loss as:						
Other Gains	27	18	50	388	808	(52)
Other Losses	(190)	(1,395)	(86)	(569)	(1,400)	(59)
	(163)	(1,377)	(88)	(181)	(592)	(69)
Note (B) - Other Expenses						
Rental expenses	(3,615)	(3,721)	(3)	(10,981)	(11,972)	(8)
Other operating expenses	(1,132)	(951)	19	(3,444)	(3,564)	(3)
Selling and distribution costs	(944)	(877)	8	(2,597)	(2,996)	(13)
	(5,691)	(5,549)	3	(17,022)	(18,532)	(8)

N.M. = not meaningful

CHALLENGER TECHNOLOGIES LIMITED

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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	
	30.09.2017 \$'000	31.12.2016 \$'000	30.09.2017 \$'000	31.12.2016 \$'000
ASSETS				
Non-Current Assets				
Investment in Associate	-	-	-	-
Investments in Subsidiaries	-	-	8,072	8,072
Other Financial Assets	3,906	6,134	3,596	5,825
Property, Plant and Equipment	9,960	10,547	9,843	10,382
Total Non-Current Assets	13,866	16,681	21,511	24,279
Current Assets				
Cash and Cash Equivalents	49,366	52,273	37,779	41,950
Trade and Other Receivables	5,353	5,772	7,071	6,602
Other Assets	4,853	5,019	4,750	4,860
Inventories	35,033	37,160	34,860	36,837
Total Current Assets	94,605	100,224	84,460	90,249
Total Assets	108,471	116,905	105,971	114,528
EQUITY AND LIABILITIES				
Equity attributable to Owners of the Parent				
Share Capital	18,775	18,775	18,775	18,775
Retained Earnings	61,608	60,567	64,077	63,876
Other Reserves	(117)	(242)	75	(71)
Equity, Attributable to Owners of the Parent	80,266	79,100	82,927	82,580
Non-Controlling Interests	284	408	-	-
Total Equity	80,550	79,508	82,927	82,580
Non-Current Liabilities				
Deferred Tax Liabilities	22	22	-	-
Provisions	1,886	1,736	1,886	1,736
Other Liabilities, Non-Current	3,231	2,684	1,488	1,000
Total Non-Current Liabilities	5,139	4,442	3,374	2,736
Current Liabilities				
Trade and Other Payables	14,086	22,221	12,611	20,380
Income Tax Payable	2,638	3,510	2,175	3,153
Other Liabilities, Current	6,058	7,224	4,884	5,679
Total Current Liabilities	22,782	32,955	19,670	29,212
Total Liabilities	27,921	37,397	23,044	31,948
Total Equity and Liabilities	108,471	116,905	105,971	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.

- 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

	3 months ended		9 months ended	
	30.09.2017 \$'000	30.09.2016 \$'000	30.09.2017 \$'000	30.09.2016 \$'000
Cash Flow From Operating Activities				
Profit Before Tax	4,093	2,127	12,566	11,213
Adjustments for:				
Depreciation Expense	871	985	2,594	3,277
Losses on Disposal of Plant and Equipment	25	219	85	219
Provision for Impairment on Other Financial Assets	-	1,164	-	1,164
Losses on Disposal of Available-For-Sale Financial Assets	45	12	124	12
Interest Income	(137)	(134)	(422)	(404)
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	2	10	(21)	(75)
Operating Cash Flows Before Working Capital Changes	4,899	4,383	14,926	15,406
Trade and Other Receivables	690	573	419	(975)
Other Assets	(8)	(287)	166	(316)
Inventories	3,801	(6,895)	2,127	(783)
Trade and Other Payables	(4,586)	4,572	(8,135)	(918)
Other Liabilities	187	(528)	(619)	(1,427)
Net Cash Flows From Operations	4,983	1,818	8,884	10,987
Income Taxes Paid	(1,385)	(1,191)	(3,020)	(3,001)
Net Cash Flows From Operating Activities	3,598	627	5,864	7,986
Cash Flows From Investing Activities				
Interest Received	137	134	422	404
Increase in Other Financial Assets	-	-	-	(152)
Proceeds from Disposal of Available-For-Sale Financial Assets	750	500	2,250	500
Purchase of Plant and Equipment	(320)	(985)	(1,942)	(1,969)
Net Cash Flows From / (Used in) Investing Activities	567	(351)	730	(1,217)
Cash Flows From Financing Activities				
Dividends paid to equity owners	(3,798)	(3,797)	(9,321)	(9,148)
Dividends Paid to Non-Controlling Interests	-	-	(180)	(300)
Investment in a subsidiary by non-controlling interests	-	-	-	160
Repayment of Finance Lease	-	(2)	-	(2)
Net Cash Flows Used in Financing Activities	(3,798)	(3,799)	(9,501)	(9,290)
Net Increase / (Decrease) in Cash and Cash Equivalents	367	(3,523)	(2,907)	(2,521)
Cash and Cash Equivalents, Consolidated Statement of Cash Flow, Beginning Balance	48,999	42,655	52,273	41,653
Cash and Cash Equivalents, Consolidated Statement of Cash Flow, Ending Balance	49,366	39,132	49,366	39,132

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

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
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	7,099	7,023	-	7,046	(23)	76
Dividends paid	(5,703)	(5,523)	-	(5,523)	-	(180)
Reclassification adjustment on sale of available-for-sale investment from reserves	51	51	-	-	51	-
Closing Balance at 30 June 2017	80,955	80,651	18,775	62,090	(214)	304
Total Comprehensive Income for the Period	3,364	3,384	-	3,316	68	(20)
Dividends paid	(3,798)	(3,798)	-	(3,798)	-	-
Reclassification adjustment on sale of available-for-sale investment from reserves	29	29	-	-	29	-
Closing Balance at 30 September 2017	80,550	80,266	18,775	61,608	(117)	284
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	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
Closing Balance at 30 June 2016	78,407	78,045	18,775	59,599	(329)	362
Total Comprehensive Income for the Period	1,763	1,757	-	1,747	10	6
Reclassification adjustment on sale of available-for-sale investment from reserves	37	37	-	-	37	-
Dividends paid	(3,797)	(3,797)	-	(3,797)	-	-
Closing Balance at 30 September 2016	76,410	76,042	18,775	57,549	(282)	368
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	6,696	6,696	-	6,646	50	-
Dividends paid	(5,523)	(5,523)	-	(5,523)	-	-
Closing Balance at 30 June 2017	83,753	83,753	18,775	64,999	(21)	-
Total Comprehensive Income for the Period	2,943	2,943	-	2,876	67	-
Dividends paid	(3,798)	(3,798)	-	(3,798)	-	-
Reclassification adjustment on sale of available-for-sale investment from reserves	29	29	-	-	29	-
Closing Balance at 30 September 2017	82,927	82,927	18,775	64,077	75	-
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	7,440	7,440	-	7,440	-	-
Dividends paid	(5,351)	(5,351)	-	(5,351)	-	-
Closing Balance at 30 June 2016	78,772	78,772	18,775	60,117	(120)	-
Total Comprehensive Income for the Period	2,594	2,594	-	2,557	37	-
Dividends paid	(3,797)	(3,797)	-	(3,797)	-	-
Closing Balance at 30 September 2016	77,569	77,569	18,775	58,877	(83)	-

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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 third quarter of 2017. As at 30 September 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 as at 30 September 2017 and 30 September 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.

	30.09.2017	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, 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.

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

	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	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	0.96	0.51	3.00	2.68
- on a fully diluted basis	0.96	0.51	3.00	2.68

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	
	30.09.2017	31.12.2016	30.09.2017	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	23.25	22.91	24.02	23.92

The net asset value per ordinary share of the Group and the Company as at 30 September 2017 and 31 December 2016 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 \$78.0 M for the three months ended 30 September 2017 ("3Q2017"), an increase of 4.8% or \$3.6 M compared to the revenue of \$74.4 M for the three months ended 30 September 2016 ("3Q2016"). The increase in revenue was primarily driven by improved performance from IT products and services business segment, which grew 4.0% to \$76.0 M in 3Q2017, from \$73.1 M in 3Q2016. The stronger growth in this segment was attributed to revenue contribution from corporate sales division and retail operations.

Revenue from the electronic signage services business segment was about six times higher at \$1.1 M in 3Q2017 compared to \$0.3 M in 3Q2016, supported by completion of a major project in 3Q2017.

Revenue from the telephonic call centre and data management services down by 18.2% or \$0.2 M to \$0.9 M in 3Q2017 compared to 3Q2016 due to lower revenue derived from extended warranty.

Profit after taxation ("PAT")

The Group registered a higher PAT of \$3.3 M in 3Q2017, as compared to \$1.8 M in 3Q2016.

The increase in PAT of \$1.5 M was mainly due to the following:

- a) increase in overall gross profit by about \$0.9 M due to contribution from new flagship store and improved product mix;
- b) lower employee benefits expenses of \$0.1 M;
- c) decrease in depreciation expenses by \$0.1 M;
- d) decrease in rental expenses by \$0.1 M; and
- e) absence of impairment loss provision of \$1.2 M on investment in a last mile delivery company made in the same quarter last year.

The above items have been offset by higher other operating expenses of \$0.5 M and income tax provision of \$0.4 M.

Working capital, assets and liabilities

For the third quarter ended 30 September 2017, the Group has cash of approximately \$49.4 M.

The Group recorded an operating cash inflow of about \$3.6 M in 3Q2017. This has resulted mainly from the following:

- a) operating profit derived for 3Q2017 of \$4.9 M;
- b) decrease of trade, other receivables and other assets of \$0.7 M;
- c) decrease in inventory of \$3.8 M;
- d) decrease of trade, other payables and accrued liabilities of \$4.6 M;
- e) increase of other liabilities of \$0.2 M; and
- f) income tax paid of \$1.4 M.

The net cash outflow for investing activities was mainly due to acquisitions of equipment and renovations of \$0.3 M, partially offset by proceeds arising from disposal of a bond investment of \$0.8 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. Hence, cash and cash equivalents increased by about \$0.4 M for the period ended 30 September 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.

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 continues to further enhance our e-commerce capabilities and functions to increase our competitive advantage so as to further strengthen our market position in the online business. Amidst continued cost pressure, the Management team has taken necessary cost efficiency initiatives to monitor operating expenses and enhance operational efficiency.

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

No dividend has been declared or recommended.

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 PURSUANT TO RULE 705(5) OF THE SGX LISTING MANUAL

Pursuant to Rule 705(5) of the SGX Listing Manual, 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 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
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER
DATE: 3 November 2017