

**Challenger
Technologies Limited**



**SECOND QUARTER UNAUDITED FINANCIAL STATEMENT
FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2017**

Co Reg No: 198400182 K

CHALLENGER TECHNOLOGIES LIMITED

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 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	6 months ended		Change
	30.06.2017	30.06.2016		30.06.2017	30.06.2016	
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	78,679	91,245	(14)	155,131	181,630	(15)
Other Items of Income						
Interest Income	123	109	13	285	270	6
Other Gains [note (A)]	161	361	(55)	367	797	(54)
Other Items of Expense						
Changes in Inventories of Finished Goods	5,753	(8,150)	N.M.	1,698	(6,112)	N.M.
Purchase of Goods and Consumables	(66,973)	(64,545)	4	(123,156)	(138,793)	(11)
Other Consumables Used	(157)	(92)	71	(399)	(317)	26
Depreciation Expense	(856)	(1,137)	(25)	(1,723)	(2,292)	(25)
Employee Benefits Expense	(6,135)	(6,799)	(10)	(12,014)	(13,102)	(8)
Other Expenses [Note (B)]	(5,793)	(6,371)	(9)	(11,331)	(12,983)	(13)
Other Losses [Note (A)]	(177)	-	N.M.	(385)	(12)	3,108
Profit Before Tax from Continuing Operations	4,625	4,621	0	8,473	9,086	(7)
Income Tax Expense	(752)	(983)	(23)	(1,351)	(1,766)	(23)
Profit from Continuing Operations, Net of Tax	3,873	3,638	6	7,122	7,320	(3)
Other Comprehensive Income:						
Items that May Be Reclassified Subsequently to Profit or Loss:						
Exchange Differences on Translating Foreign Operations, Net of tax	(2)	(147)	(99)	(22)	(85)	(74)
Other Comprehensive Income (Loss) for the Period, Net of Tax	(2)	(147)	(99)	(22)	(85)	(74)
Total Comprehensive Income	3,871	3,491	11	7,100	7,235	(2)
Profit Attributable to Owners of the Parent, Net of Tax	3,840	3,762	2	7,046	7,520	(6)
Profit Attributable to Non-Controlling Interests, Net of Tax	33	(124)	N.M.	76	(200)	N.M.
Profit Net of Tax	3,873	3,638	6	7,122	7,320	(3)
Total Comprehensive Income Attributable to Owners of the Parent	3,838	3,615	6	7,024	7,435	(6)
Total Comprehensive Income Attributable to Non-Controlling Interests	33	(124)	(127)	76	(200)	(138)
Total Comprehensive Income	3,871	3,491	11	7,100	7,235	(2)
Note:						
Profit before income tax is arrived after (charging) / crediting the followings:						
Note (A) - Other (Losses) / Gains						
Foreign exchange adjustment losses	8	118	(93)	(6)	(12)	(50)
Sundry income	153	243	(37)	367	797	(54)
Losses on disposal of plant and equipment	(26)	-	N.M.	(60)	-	N.M.
Losses on disposal of available-for-sale financial assets	(31)	-	N.M.	(79)	-	N.M.
Provision for inventories	(120)	-	N.M.	(240)	-	N.M.
	(16)	361	(104)	(18)	785	(102)
Presented in profit or loss as:						
Other Gains	161	361	(55)	367	797	(54)
Other Losses	(177)	-	N.M.	(385)	(12)	N.M.
	(16)	361	(104)	(18)	785	(102)
Note (B) - Other Expenses						
Rental expenses	(3,647)	(3,854)	(5)	(7,366)	(8,251)	(11)
Other operating expenses	(1,362)	(1,380)	(1)	(2,312)	(2,613)	(12)
Selling and distribution costs	(784)	(1,137)	(31)	(1,653)	(2,119)	(22)
	(5,793)	(6,371)	(9)	(11,331)	(12,983)	(13)

N.M. = not meaningful

CHALLENGER TECHNOLOGIES LIMITED

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 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	
	30.06.2017 \$'000	31.12.2016 \$'000	30.06.2017 \$'000	31.12.2016 \$'000
ASSETS				
Non-Current Assets				
Investment in Associate	-	-	-	-
Investments in Subsidiaries	-	-	8,072	8,072
Other Financial Assets	4,606	6,134	4,296	5,825
Property, Plant and Equipment	10,548	10,547	10,443	10,382
Total Non-Current Assets	15,154	16,681	22,811	24,279
Current Assets				
Cash and Cash Equivalents	48,999	52,273	38,022	41,950
Trade and Other Receivables	6,043	5,772	8,188	6,602
Other Assets	4,844	5,019	4,727	4,860
Inventories	38,834	37,160	38,233	36,837
Total Current Assets	98,720	100,224	89,170	90,249
Total Assets	113,874	116,905	111,981	114,528
EQUITY AND LIABILITIES				
Equity attributable to Owners of the Parent				
Share Capital	18,775	18,775	18,775	18,775
Retained Earnings	62,090	60,567	64,999	63,876
Other Reserves	(214)	(242)	(21)	(71)
Equity, Attributable to Owners of the Parent	80,651	79,100	83,753	82,580
Non-Controlling Interests	304	408	-	-
Total Equity	80,955	79,508	83,753	82,580
Non-Current Liabilities				
Deferred Tax Liabilities	22	22	-	-
Provisions	1,897	1,736	1,897	1,736
Other Liabilities, Non-Current	4,119	2,684	2,340	1,000
Total Non-Current Liabilities	6,038	4,442	4,237	2,736
Current Liabilities				
Trade and Other Payables	18,672	22,221	17,328	20,380
Income Tax Payable	3,226	3,510	2,859	3,153
Other Liabilities, Current	4,983	7,224	3,804	5,679
Total Current Liabilities	26,881	32,955	23,991	29,212
Total Liabilities	32,919	37,397	28,228	31,948
Total Equity and Liabilities	113,874	116,905	111,981	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

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

	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	\$'000	\$'000	\$'000	\$'000
Cash Flow From Operating Activities				
Profit Before Tax	4,625	4,621	8,473	9,086
Adjustments for:				
Depreciation Expense	856	1,137	1,723	2,292
Losses on Disposal of Plant and Equipment	26	-	60	-
Losses on Disposal of Available-For-Sale Financial Assets	31	-	79	-
Interest Income	(123)	(109)	(285)	(270)
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	(2)	(147)	(22)	(85)
Operating Cash Flows Before Working Capital Changes	5,413	5,502	10,028	11,023
Trade and Other Receivables	389	(290)	(271)	(1,548)
Other Assets	443	230	175	(29)
Inventories	(5,849)	8,150	(1,674)	6,112
Trade and Other Payables	2,772	(5,186)	(3,550)	(5,490)
Other Liabilities	(329)	(94)	(806)	(899)
Net Cash Flows From Operations	2,839	8,312	3,902	9,169
Income Taxes Paid	(1,582)	(1,731)	(1,635)	(1,810)
Net Cash Flows From Operating Activities	1,257	6,581	2,267	7,359
Cash Flows From Investing Activities				
Interest Received	123	109	285	270
Increase in Other Financial Assets	-	(152)	-	(152)
Proceeds from Disposal of Available-For-Sale Financial Assets	500	-	1,500	-
Purchase of Plant and Equipment	(1,431)	(533)	(1,623)	(984)
Net Cash Flows (Used in) / From Investing Activities	(808)	(576)	162	(866)
Cash Flows From Financing Activities				
Dividends paid to equity owners	(5,523)	(5,351)	(5,523)	(5,351)
Dividends Paid to Non-Controlling Interests	(180)	(300)	(180)	(300)
Investment in a subsidiary by non-controlling interests	-	-	-	160
Net Cash Flows Used in Financing Activities	(5,703)	(5,651)	(5,703)	(5,491)
Net (Decrease) / Increase in Cash and Cash Equivalents	(5,254)	354	(3,274)	1,002
Cash and Cash Equivalents, Consolidated Statement of Cash Flow, Beginning Balance	54,253	42,301	52,273	41,653
Cash and Cash Equivalents, Consolidated Statement of Cash Flow, Ending Balance	48,999	42,655	48,999	42,655

CHALLENGER TECHNOLOGIES LIMITED

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 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 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	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
Total Comprehensive Income for the Period	3,871	3,838	-	3,840	(2)	33
Dividends paid	(5,703)	(5,523)	-	(5,523)	-	(180)
Reclassification adjustment on sale of available -for-sale investment from reserves	22	22	-	-	22	-
Closing Balance at 30 June 2017	80,955	80,651	18,775	62,090	(214)	304
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
Total Comprehensive Income for the Period	3,489	3,615	-	3,762	(147)	(126)
Dividends paid	(5,651)	(5,351)	-	(5,351)	-	(300)
Closing Balance at 30 June 2016	78,407	78,045	18,775	59,599	(329)	362
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)	-
Total Comprehensive Income for the Period	3,237	3,237	-	3,215	22	-
Dividends paid	(5,523)	(5,523)	-	(5,523)	-	-
Closing Balance at 30 June 2017	83,753	83,753	18,775	64,999	(21)	-
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)	-
Total Comprehensive Income for the Period	3,478	3,478	-	3,478	-	-
Dividends paid	(5,351)	(5,351)	-	(5,351)	-	-
Closing Balance at 30 June 2016	78,772	78,772	18,775	60,117	(120)	-

- 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 second quarter of 2017. As at 30 June 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 June 2017 and 30 June 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.

	30.06.2017	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.

UNAUDITED QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 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 June 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		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	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	1.11	1.09	2.04	2.18
- on a fully diluted basis	1.11	1.09	2.04	2.18

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	
	30.06.2017	31.12.2016	30.06.2017	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	23.36	22.91	24.26	23.92

The net asset value per ordinary share of the Group and the Company as at 30 June 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 \$78.7 M for the three months ended 30 June 2017 ("2Q2017"), a decrease of 13.7% or \$12.5 M compared to the revenue of \$91.2 M registered for the three months ended 30 June 2016 ("2Q2016").

The decrease in revenue is primarily due to lower contribution from IT products and services which decreased 13.8% to \$77.2 M in 2Q2017, from \$89.6 M in 2Q2016 mainly due to weaker performance from retail operations and lower revenue contribution from tradeshow division, partially offset by revenue contribution from corporate sales and online sales.

Revenue from the electronic signage services business segment remained stable at \$0.5 M in 2Q2017.

Revenue from the telephonic call centre and data management services slightly down by 9.1% or \$0.1 M to \$1.0 M in 2Q2017 compared to 2Q2016 due to lower revenue derived from extended warranty.

Profit after taxation ("PAT")

The Group registered a slightly higher PAT of \$3.9 M in 2Q2017, as compared to \$3.6 M in 2Q2016.

The increase in PAT of \$0.3 M was mainly due to the following:

- a) decrease in overall gross profit by about \$1.2 M due to weaker retail sales;
- b) decrease in other income of \$0.1 M mainly due to lower receipt from Government Wage Credit Scheme;
- c) a provision of allowance for inventories of \$0.1 M made in 2Q2017; and
- d) lower exchange gains of about \$0.1 M arising from translation of foreign currencies transactions.

The above items have been offset by:

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

Working capital, assets and liabilities

For the second quarter ended 30 June 2017, the Group has cash of approximately \$49.0 M.

The Group recorded an operating cash inflow of about \$1.3 M in 2Q2017. This has resulted mainly from the following:

- a) operating profit derived for 2Q2017 of \$5.4 M;
- b) decrease of trade, other receivables and other assets of \$0.8 M;
- c) increase in inventory of \$5.8 M;
- d) increase of trade, other payables and accrued liabilities of \$2.7 M;
- e) decrease of other liabilities of \$0.3 M; and
- f) income tax paid of \$1.6 M.

The net cash outflow for investing activities was mainly due to acquisitions of equipment and renovations of \$1.4 M, partially offset by proceeds arising from disposal of bonds investment of \$0.5 M. In addition, the Group received interests from fixed deposits and bonds of \$0.1 M while a net cash outflow of \$5.7 M was used to pay as dividend to shareholders and non-controlling interests. Hence, cash and cash equivalents decreased by about \$5.3 M for the period ended 30 June 2017.

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 mainly due to the opening of flagship store.

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

In view of the continuing cost pressure on manpower and rental coupled with slowdown in the retail environment, the Group will continue to focus on driving greater store productivity that will complement our omnichannel and rationalise poor performing retail stores. At present, the Group has a total retail network of 38 stores in Singapore. The Group closed down seven poor performing stores in the past few months.

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

The directors recommend an interim dividend to be paid for the period ended 30.6.2017 as follows:

Name of Dividend: Interim exempt (one-tier) dividend
Dividend type: Cash
Dividend amount per share (in cents): 1.10
Tax rate: Tax-exempt one-tier

(b) Corresponding Period of the Immediately Preceding Financial Year

Interim dividend for the period ended 30.06.2016 paid on 22.08.2016 as noted below.

Name of Dividend: Interim exempt (one-tier) dividend
Dividend type: Cash
Dividend amount per share (in cents): 1.10
Tax rate: Tax-exempt one-tier

(c) Date Payable

23 August 2017.

(d) Books Closure Date

Notice is hereby given that the Share Transfer Books and Register of Members will be closed on 16 August 2017 for the purpose of determining members' entitlements to the tax-exempt one-tier interim dividend of 1.10 cents. Duly completed registerable transfers in respect of the shares in the Company received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, by the close of business at 5.00 pm on 15 August 2017 will be registered to determine the members' entitlements to such dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 pm on 15 August 2017 will be entitled to such dividend.

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 second quarter ended 30 June 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: 4 August 2017