

**Challenger  
Technologies  
Limited**



**HALF YEAR UNAUDITED FINANCIAL STATEMENT  
FOR THE FINANCIAL PERIOD ENDED  
30 JUNE 2020**

Co Reg No: 198400182 K

**UNAUDITED HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2020**

- 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**

	<b>Group</b>		<b>Change</b>
	<b>6 months ended</b>		
	30.06.2020	30.06.2019	
	\$'000	\$'000	%
<b>Revenue</b>	118,492	163,292	(27)
<b><u>Other Items of Income</u></b>			
Interest Income	550	608	(10)
Other Gains [note (A)]	2,609	276	845
<b><u>Other Items of Expense</u></b>			
Changes in Inventories of Finished Goods	1,366	(2,017)	N.M.
Purchase of Goods and Consumables	(90,650)	(126,406)	(28)
Other Consumables Used	(195)	(73)	167
Depreciation Expense	(945)	(1,116)	(15)
Employee Benefits Expense	(10,479)	(12,189)	(14)
Other Expenses [Note (B)]	(8,595)	(11,892)	(28)
Other Losses [Note (A)]	(333)	(264)	26
<b>Profit Before Tax from Continuing Operations</b>	<u>11,820</u>	<u>10,219</u>	16
Income Tax Expense	(2,133)	(1,902)	12
<b>Profit from Continuing Operations, Net of Tax</b>	<u>9,687</u>	<u>8,317</u>	16
<b><u>Other Comprehensive Income:</u></b>			
<b>Items that May Be Reclassified Subsequently to Profit or Loss:</b>			
Exchange Differences on Translating Foreign Operations, Net of tax	22	(4)	N.M.
<b>Other Comprehensive Income / (Loss) for the Period, Net of Tax</b>	<u>22</u>	<u>(4)</u>	N.M.
<b>Total Comprehensive Income</b>	<u>9,709</u>	<u>8,313</u>	17
<b>Profit Attributable to Owners of the Parent, Net of Tax</b>	9,654	8,257	17
<b>Profit Attributable to Non-Controlling Interests, Net of Tax</b>	33	60	(45)
<b>Profit Net of Tax</b>	<u>9,687</u>	<u>8,317</u>	16
<b>Total Comprehensive Income Attributable to Owners of the Parent</b>	9,676	8,253	17
<b>Total Comprehensive Income Attributable to Non-Controlling Interests</b>	33	60	(45)
<b>Total Comprehensive Income</b>	<u>9,709</u>	<u>8,313</u>	17
<b>Note:</b>			
<b>Profit before income tax is arrived after (charging) / crediting the followings:</b>			
<b><u>Note (A) - Other (Losses) / Gains</u></b>			
Foreign exchange adjustment gains	79	62	27
Sundry income	2,530	214	1,082
Losses on disposal of plant and equipment	(33)	-	N.M.
Inventories written off	(11)	-	N.M.
Provision for inventories	(289)	(264)	9
	<u>2,276</u>	<u>12</u>	18,867
Presented in profit or loss as:			
Other Gains	2,609	276	845
Other Losses	(333)	(264)	26
	<u>2,276</u>	<u>12</u>	18,867
<b><u>Note (B) - Other Expenses</u></b>			
Premises expenses	(5,902)	(8,568)	(31)
Other operating expenses	(1,211)	(1,414)	(14)
Selling and distribution costs	(1,482)	(1,910)	(22)
	<u>(8,595)</u>	<u>(11,892)</u>	(28)

N.M. = not meaningful

CHALLENGER TECHNOLOGIES LIMITED

**UNAUDITED HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2020**

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	
	30.06.2020 \$'000	31.12.2019 \$'000	30.06.2020 \$'000	31.12.2019 \$'000
<b>ASSETS</b>				
<b><u>Non-Current Assets</u></b>				
Investments in Subsidiaries	-	-	5,909	6,135
Other Financial Assets	5,449	5,449	5,140	5,140
Property, Plant and Equipment	6,427	7,252	6,297	7,083
Rights-of-use assets	17,267	23,473	17,017	23,145
<b>Total Non-Current Assets</b>	<b>29,143</b>	<b>36,174</b>	<b>34,363</b>	<b>41,503</b>
<b><u>Current Assets</u></b>				
Cash and Cash Equivalents	85,724	77,890	77,170	69,772
Trade and Other Receivables	4,871	6,722	4,707	5,940
Other Assets	5,013	5,351	4,768	5,136
Inventories	35,568	34,491	35,418	34,248
Other Financial Assets	765	765	765	765
<b>Total Current Assets</b>	<b>131,941</b>	<b>125,219</b>	<b>122,828</b>	<b>115,861</b>
<b>Total Assets</b>	<b>161,084</b>	<b>161,393</b>	<b>157,191</b>	<b>157,364</b>
<b>EQUITY AND LIABILITIES</b>				
<b><u>Equity attributable to Owners of the Parent</u></b>				
Share Capital	18,775	18,775	18,775	18,775
Retained Earnings	93,789	84,135	93,792	84,196
Other Reserves	(26)	(48)	136	136
<b>Equity, Attributable to Owners of the Parent</b>	<b>112,538</b>	<b>102,862</b>	<b>112,703</b>	<b>103,107</b>
Non-Controlling Interests	450	417	-	-
<b>Total Equity</b>	<b>112,988</b>	<b>103,279</b>	<b>112,703</b>	<b>103,107</b>
<b><u>Non-Current Liabilities</u></b>				
Deferred Tax Liabilities	17	17	-	-
Other Liabilities, Non-Current	1,919	2,035	670	705
Lease Liabilities	8,240	12,284	8,326	12,107
<b>Total Non-Current Liabilities</b>	<b>10,176</b>	<b>14,336</b>	<b>8,996</b>	<b>12,812</b>
<b><u>Current Liabilities</u></b>				
Trade and Other Payables	15,155	19,988	14,310	19,086
Provisions	2,080	2,067	2,080	2,067
Income Tax Payable	6,279	4,167	5,936	3,827
Other Liabilities, Current	5,086	6,153	4,189	5,219
Lease Liabilities	9,320	11,403	8,977	11,246
<b>Total Current Liabilities</b>	<b>37,920</b>	<b>43,778</b>	<b>35,492</b>	<b>41,445</b>
<b>Total Liabilities</b>	<b>48,096</b>	<b>58,114</b>	<b>44,488</b>	<b>54,257</b>
<b>Total Equity and Liabilities</b>	<b>161,084</b>	<b>161,393</b>	<b>157,191</b>	<b>157,364</b>

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.

**Whether the amounts are secured or unsecured**

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**

	<b>6 months ended</b>	
	30.06.2020	30.06.2019
	\$'000	\$'000
<b>Cash Flow From Operating Activities</b>		
Profit Before Tax	11,820	10,219
Adjustments for:		
Amortisation on Rights-of-use Assets	4,615	7,089
Depreciation Expense	945	1,116
Losses on Disposal of Plant and Equipment	33	-
Interest Income	(550)	(608)
Interest Expense	306	290
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	22	(4)
Operating Cash Flows Before Working Capital Changes	17,191	18,102
Trade and Other Receivables	1,852	(1,493)
Other Assets	338	(696)
Inventories	(1,078)	2,385
Trade and Other Payables	(4,833)	1,548
Other Liabilities	(1,183)	(1,011)
Net Cash Flows From Operations	12,287	18,835
Income Taxes Paid	(21)	(2,215)
Net Cash Flows From Operating Activities	12,266	16,620
<b>Cash Flows From Investing Activities</b>		
Interest Received	550	608
Purchase of Plant and Equipment	(140)	(211)
Net Cash Flows From Investing Activities	410	397
<b>Cash Flows From Financing Activities</b>		
Dividends paid to equity owners	-	(6,904)
Principal element of lease payments	(4,536)	(6,935)
Interest element of lease payments	(306)	(290)
Net Cash Flows Used in Financing Activities	(4,842)	(14,129)
<b>Net Increase in Cash and Cash Equivalents</b>	7,834	2,888
Cash and Cash Equivalents, Consolidated Statement of Cash Flow, Beginning Balance	77,890	63,240
<b>Cash and Cash Equivalents, Consolidated Statement of Cash Flow, Ending Balance</b>	85,724	66,128

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
<b>Group</b>						
<b>Current Period:</b>						
<b>Opening Balance at 1 January 2020</b>	103,279	102,862	18,775	84,135	(48)	417
<b>Movements in Equity:</b>						
Total Comprehensive Income for the Period	9,709	9,676	-	9,654	22	33
<b>Closing Balance at 30 June 2020</b>	<b>112,988</b>	<b>112,538</b>	<b>18,775</b>	<b>93,789</b>	<b>(26)</b>	<b>450</b>
<b>Previous Period:</b>						
<b>Opening Balance at 1 January 2019</b>	92,333	91,996	18,775	73,415	(194)	337
<b>Movements in Equity:</b>						
Total Comprehensive Income for the Period	8,313	8,253	-	8,257	(4)	60
Dividends paid	(6,904)	(6,904)	-	(6,904)	-	-
<b>Closing Balance at 30 June 2019</b>	<b>93,742</b>	<b>93,345</b>	<b>18,775</b>	<b>74,768</b>	<b>(198)</b>	<b>397</b>
<b>Company</b>						
<b>Current Period:</b>						
<b>Opening Balance at 1 January 2020</b>	103,107	103,107	18,775	84,196	136	-
<b>Movements in Equity:</b>						
Total Comprehensive Income for the Period	9,596	9,596	-	9,596	-	-
<b>Closing Balance at 30 June 2020</b>	<b>112,703</b>	<b>112,703</b>	<b>18,775</b>	<b>93,792</b>	<b>136</b>	<b>-</b>
<b>Previous Period:</b>						
<b>Opening Balance at 1 January 2019</b>	92,016	92,016	18,775	73,227	14	-
<b>Movements in Equity:</b>						
Total Comprehensive Income for the Period	8,403	8,403	-	8,403	-	-
Dividends paid	(6,904)	(6,904)	-	(6,904)	-	-
<b>Closing Balance at 30 June 2019</b>	<b>93,515</b>	<b>93,515</b>	<b>18,775</b>	<b>74,726</b>	<b>14</b>	<b>-</b>

**UNAUDITED HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2020**

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, 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 first half year of 2020. As at 30 June 2020, the Company's issued and paid up capital comprises 345,207,961 (31 December 2019: 345,207,961) ordinary shares and \$18,775,054 (31 December 2019: \$18,775,054) respectively.

There were no outstanding convertibles issued or treasury shares held by the Company or subsidiary as at 30 June 2020 and 30 June 2019.

**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>30.06.2020</b>	<b>31.12.2019</b>
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 modifications or emphasis of matter)**

Not applicable.

**3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: - (This is not required for any audit issue that is a material uncertainty relating to going concern.)**

**(a) Updates on the efforts taken to resolve each outstanding audit issue.**

**(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

Not applicable.

**UNAUDITED HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2020**

**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 has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 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**

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**

	6 months ended	
	30.06.2020 cents	30.06.2019 cents
<u>Group</u> Earnings per share based on consolidated profit after taxation and non-controlling interests		
- on weighted average number of ordinary shares	2.80	2.39
- on a fully diluted basis	2.80	2.39

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	
	30.06.2020 cents	31.12.2019 cents	30.06.2020 cents	31.12.2019 cents
Net asset value per share based on existing issued share capital as at the end of the respective period	32.60	29.80	32.65	29.87

The net asset value per ordinary share of the Group and the Company as at 30 June 2020 and 31 December 2019 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 \$118.5 M for the first half year ended 30 June 2020 ("1H2020"), a decrease of 27.4% or \$44.8 M compared to the revenue of \$163.3 M registered for the half year ended 30 June 2019 ("1H2019"). Lower revenue has been mainly due to 27% declined in IT products and services business segment to \$116.9 M in 1H2020, from \$160.1 M in 1H2019. This was mainly attributable to absence of tradeshow and weaker performance from retail operations as a result of lockdown imposed during the Covid-19 pandemic. The decrease has been partially offset by stronger revenue contribution from online sales.

Revenue from the electronic signage services business segment remained consistent at \$0.2 M, mainly supported by a major project completed in the first quarter of year 2020.

Revenue from the telephonic call centre and data management services declined more than half to \$1.3 M in 1H2020 compared to 1H2019 as more data management and marketing projects were put on hold amid the pandemic.

**Profit after taxation ("PAT")**

The Group registered higher PAT of \$9.7 M in 1H2020 as compared to \$8.3 M in 1H2019.

The increase in PAT was mainly due to the following:

- a) premises expenses decreased by \$2.7 M due to rental waiver and rebates;
- b) employee benefits expenses decreased by \$1.7 M;
- c) sundry income increased by \$2.3 M mainly on receipts of Government grant from Job Support Scheme as well as Wage Credit Scheme;
- d) selling and distribution expenses decreased by \$0.4 M mainly on lower card surcharges;
- e) depreciation expenses decreased by \$0.2 M; and
- f) other operating expenses decreased by \$0.1 M.

The above items have been partially offset by:

- g) overall gross profit decreased by \$5.8 M was in line with declined revenue amid lockdown due to Covid-19 outbreak. Overall gross profit margin improved in 1H2020; and
- h) income tax provision increased by \$0.2 M.

The inventories written off and provision for inventories of \$0.3 M are to cater for both third parties and house brand products. Foreign exchange gains of \$0.1 M mainly arising from Renminbi transactions.

**Working capital, assets and liabilities**

For the first half year ended 30 June 2020, the Group has cash of approximately \$85.7 M.

The Group recorded an operating cash inflow of about \$12.3 M in 1H2020. This was mainly attributable to the following:

- a) operating profit derived for 1H2020 of \$17.2 M;
- b) decrease of trade, other receivables and other assets of \$2.2 M;
- c) increase in inventory of \$1.1 M;
- d) decrease of trade, other payables and accrued liabilities of \$4.8 M; and
- e) decrease of other liabilities of \$1.2 M.

The net cash inflow for investing activities was mainly on interests received from fixed deposits and bonds of \$0.6 M, partially offset by acquisition of equipment and renovations of \$0.1 M during the period. Meanwhile, \$4.9 M used in financing activities was incurred as principal and interest element for lease payments. Hence, cash and cash equivalents increased by about \$7.9 M for the period ended 30 June 2020.

Other than the above, no significant difference was noted for other working capital, assets and liabilities except for the increased inventory level and decreased trade payables as a result of lockdown measures amid pandemic.



**UNAUDITED HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2020**

- 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 Covid-19 pandemic was unforeseen and unprecedented. The Group will continue to exercise caution in managing overall business given various uncertainties at the macro level. We will continue to focus on driving greater e-commerce productivity to mitigate the downside impact coming from the weak retail operations amid pandemic.

**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) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

**(d) Date Payable**

Not applicable.

**(e) Books Closure Date**

Not applicable.

- 12 If no dividend has been declared/recommendeded, a statement to that effect and the reason(s) for the decision.**

There is no dividend declared for this period. The Company does not have a formal dividend policy and in view of the uncertainty in the market outlook and business environment, the Board deems it prudent to defer any decision on dividends till the end of the financial year.

- 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 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 half year ended 30 June 2020 to be false or misleading in any material aspect.

**15 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.

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

DATE: 4 August 2020