



CHALLENGER TECHNOLOGIES LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 198400182K)

FY2019 AGM - RESPONSE TO QUESTIONS RECEIVED

The board of directors ("Board" or "Directors") of Challenger Technologies Limited (the "Company" and together with its subsidiaries, the "Group") refer to the notice of the annual general meeting ("AGM") announced on 27 May 2020 informing the shareholders of the Company that the AGM will be convened and held by way of electronic means on 11 June 2020 at 10 a.m. and the annual report of the Company for the financial year ended 31 December 2019 ("FY2019 AR").

The Company has received various questions from our shareholders and various parties and would like to thank all shareholders for your ongoing interest in the Company and for your cooperation in submitting your questions ahead of the deadline. As such, the Company would like to take the opportunity to respond to these questions in this announcement. Broadly, we have classified these questions into 3 categories:

1. Queries Relating to Financial Performance and Impact of Covid-19

Impact of Covid-19 outbreak and Circuit Breaker on Operations

The COVID-19 outbreak and the implementation of the Circuit Breaker by the government have impacted on our business. Our physical retail stores (both Challenger and PIT.Money stores) have not been allowed to operate during this Circuit Breaker period. Only Hachi.tech — our online tech marketplace— has been allowed to continue operating to fulfil members' online orders via delivery.

Hachi.tech focuses on selling a wide range of IT products and complementary accessories, including our in-house brands under the Valore, PLG and ValueClub Exclusive brand names. Although our physical retail stores were closed during the Circuit Breaker period, there was a substantial increase in online orders that we believe was driven by increased demand for IT products due to the Work From Home and Home-Based Learning requirements during this period.

Numerous operational adjustments have been made on short notice to meet the surge in online demand. For instance, we had to divert all supplier deliveries to our warehouse, as well as increase delivery support capabilities to shorten the order fulfilment time. During this time, we have acquired many learning experiences, and with further finetuning of processes this will serve us well for the higher adoption rate of online business.

Impact on Financial Performance

From the impact on operations detailed above, the Group's revenue for the 1HFY2020 is expected to be impacted negatively as the increase in online sales would not be sufficient to cover the decrease in sales from the physical stores and trade shows. However, based on preliminary estimates, barring any unforeseen circumstances, management expects the Group to remain profitable for 1HFY2020 due to the sales in the months prior to the Circuit Breaker, and also the unprecedented support measures provided by the Singapore Government which the Board is grateful for. Further information on the Group's financial performance for 1H2020 will be released to shareholders in due course.

At this moment, the Management is of the opinion that the FY2020 outlook is uncertain, given the dynamic nature of the pandemic and the corresponding regulatory changes. The Group will continue to

be prudent in its management of cash flow and balance sheet, as it has done so in the past few years, and especially more so in these times of uncertainty. However, we are confident that with the healthy balance sheet built over the last few years, we should be able to sustain for FY2020, although revenue and profitability are expected to be impacted.

Business Strategy Going Forward

Prior to the outbreak of COVID-19, the management had made several observations of the retail landscape. Noticeably, retail sales had slowed down significantly due to weak buying sentiment. On the other hand, we also saw an increase in demand in the price-sensitive segment.

The PIT.Money store concept was incubated as a result to address this growing segment. We had a promising start and enjoyed growth trajectory not only on used products but also on brand new and complementary products, until the implementation of Circuit Breaker measures.

As the economy is anticipated to go into recession, we foresee this segment will continue to grow and will continue to focus on it.

Moving forward, we will continue to monitor closely the sales of both online stores and physical stores as it is too soon to make any drastic moves, with ongoing regulatory changes. We are ready at the same time to scale up the online operations where necessary. Overall, we will continue to expand stores at locations where feasible and cost-efficient to do so, while non-performing outlets will be closed.

2. Queries Relating to Cash Balances and Dividends

The Group has always communicated that it does not have a formal dividend policy. As detailed above, management has always taken the view that while the Group's financial position has remained healthy, there exists many challenges— such as online retail— to the physical retail sector. The Group has an online retail presence but before the Circuit Breaker, physical retail sales still formed a significant portion of the Group's business. Further, almost all the Group's sales are derived only from one local market.

The Board notes that many other online retailers have spent significant amounts of money dwarfing even the Group's current cash balances on building their online retail presence. As the Group is not backed by funds or large corporate or institutional investors with substantial resources which can be tapped upon whenever there is a need for it, the Board has been prudent in spending its cash reserves while building its online retail presence.

The Board has always maintained the need to maintain and grow a healthy cash balance reserves to ensure the survival of the Group in what the Board believes will be a long and difficult journey to build a sustainable business model comprising both online and physical presence. Such reserves will also allow us to take advantage of any opportunities for value acquisitions that would help in the Group's transformation.

The repercussions arising from COVID-19 have been unprecedented. Compared with the subprime mortgage crisis 10 years ago, the current COVID-19 pandemic has devastated more business sectors and segments of life. The Group has not been excluded from the pandemic's damaging effects on its business. Uncontrollable factors and unforeseen circumstances like COVID-19 also require us to have a strong balance sheet and reserves to both survive and remain responsible to the Company's stakeholders in a possibly prolonged, ever-changing period of crisis.

3. Queries Relating to Other Matters

Director Independence

The Board note that one of our independent directors, Mr Max Ng Chee Weng (“Max”) has served for more than 9 years as an independent director of the Company. Max is also the Managing Director of a law corporation which has been rendering services to the Group, particularly relating to intellectual property matters to ensure the sanctity of our brands, trademarks and other intellectual property rights. The Board has been well informed of the new requirements under Rule 210(5)(d)(iii) of the SGX-ST Listing Manual which will come into effect on 1 January 2022 in relation to independent directors serving beyond 9 years and wishes to continue to be appointed as an independent director, and will comply with such requirements accordingly.

The Board hopes that the above responses have clarified most of the queries and concerns which shareholders may have. It also wishes all shareholders, employees and other stakeholders good health and to stay safe in this time of pandemic.

BY ORDER OF THE BOARD
CHALLENGER TECHNOLOGIES LIMITED

Chia Foon Yeow
Company Secretary
9 June 2020