



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

FY2020 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") refers to (i) the notice of the annual general meeting ("AGM") announced on 12 April 2021 informing the shareholders of the Company that the AGM will be convened and held by way of electronic means on 28 April 2021 at 10 a.m. and (ii) the annual report of the Company for the financial year ended 31 December 2020 ("FY2020 AR").

The Company has received various questions from its shareholders 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 the substantial and relevant questions received in this announcement. Broadly, we have classified our responses to the queries received into the two (2) main categories below:

1. Queries Relating to Financial and Business Performance

The COVID-19 pandemic and the implementation of the circuit breaker from April to June 2020 by the government have impacted on our business. Our physical retail stores were not allowed to operate during the circuit breaker period. We were also unable to participate in physical tradeshows and atrium shows at convention centres and shopping malls due to safe distancing measures that had to be imposed. Only Hachi.tech — our online tech marketplace— had been allowed to continue operating to fulfil members' online orders via delivery.

As a result, our Group revenue for FY2020 decreased by about 18% from the previous year to S\$270.8 million, the lowest since FY2011. Owing to the disruptions noted above, the revenue for all segments of business decreased year-on-year across the board except for online sales.

For FY2020, as a percentage of the Group's revenue, retail sales contributed 83% (FY2019: 74%) and online sales contributed 9% (FY2019: 3%). This increase has been made on the back of decrease in percentage contributions from tradeshows/atrium shows sales and corporate sales.

Post-circuit breaker in 2020, we have seen improved sales at our retail outlets compared to the year before. Other than Challenger retail outlets, we are also focusing on Challenger PIT outlets which sell pre-owned, used and demo IT products. We have six (6) Challenger PIT outlets to date.

Throughout the Circuit Breaker period last year, we were able to gear up and adjust to focus on online sales when our retail outlets were not allowed to operate. With the reopening of outlets post-Circuit Breaker, our online platform has complemented our physical retail stores to provide convenience and comfort to our customers who prefer to shop online. We will continue to monitor closely the sales of both online stores and physical stores and remain 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 discontinuing non-performing outlets. Our expansion strategy also includes expanding in existing locations that have a proven track record, such as Tampines Mall and Northpoint City.

2. Queries Relating to Dividends and Cash Balances

The proposed dividend payout for FY2020 to be approved at the upcoming Annual General Meeting is 2.7 cents (FY 2019: 1.5 cents). This is an increase of 80% in FY2020 over the last financial year. The total FY2020 proposed dividend payout amount is approximately 40% (FY2019: 29%) of the Group's net profit.

The Group does not have a formal dividend policy. Whilst the Group's financial position has remained healthy, we do still face many challenges which may require significant financial resources to allow us to adapt and transform.

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.

The Board has always supported the need to maintain and grow the Group's healthy cash balance reserves to remain versatile in a dynamic environment. We need to ensure that the Group has sufficient reserves for working capital, for making any potential acquisitions, implementation of programs and investments in technology, for the benefit of our businesses and to respond to challenges which may arise from time to time.

With strong and healthy cash balance reserves, the Group remains in a much better position to face uncontrollable factors and unforeseeable circumstances such as the current COVID-19 pandemic.

**BY ORDER OF THE BOARD
CHALLENGER TECHNOLOGIES LIMITED**

Chia Foon Yeow
Company Secretary
26 April 2021