

## CHALLENGER TECHNOLOGIES LIMITED

Company Registration No.: 198400182K  
(Incorporated in the Republic of Singapore)

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**PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE (THE "RIGHTS ISSUE") OF UP TO 46,050,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY ("RIGHTS SHARES") AT AN ISSUE PRICE OF S\$0.10 FOR EACH RIGHTS SHARE WITH UP TO 30,700,000 FREE DETACHABLE WARRANTS ("WARRANTS"), EACH WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW ORDINARY SHARE IN THE CAPITAL OF THE COMPANY ("NEW SHARE") AT AN EXERCISE PRICE OF S\$0.10 FOR EACH NEW SHARE, ON THE BASIS OF THREE (3) RIGHTS SHARES WITH TWO (2) WARRANTS FOR EVERY TEN (10) EXISTING ORDINARY SHARES HELD BY SHAREHOLDERS OF THE COMPANY AS AT THE BOOKS CLOSURE DATE (AS DEFINED BELOW), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED**

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### Introduction

The Board of Directors of Challenger Technologies Limited (the "**Company**") wishes to announce that the Company is proposing a renounceable non-underwritten rights issue (the "**Rights Issue**") of up to 46,050,000 new ordinary shares in the capital of the Company ("**Rights Shares**") at an issue price of S\$0.10 for each Rights Share with up to 30,700,000 free detachable warrants ("**Warrants**"), each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company ("**New Share**") at an exercise price of S\$0.10 for each New Share, on the basis of three (3) Rights Shares with two (2) Warrants for every ten (10) existing ordinary shares in the capital of the Company ("**Shares**") held by shareholders of the Company ("**Shareholders**") as at a time and date to be determined by the Directors for the purpose of determining the Shareholders' entitlements under the Rights Issue (the "**Books Closure Date**"), fractional entitlements to be disregarded.

The Company has appointed Asian Corporate Advisors Pte. Ltd. as the manager of the Rights Issue (the "**Manager**").

### Proposed Principal Terms of the Rights Issue

The Company is proposing to offer the Rights Issue to Shareholders whose registered addresses with the Company or The Central Depository (Pte) Limited ("**CDP**"), as the case may be, are in Singapore as at the Books Closure Date or who have, at least five (5) market days prior to the Books Closure Date, provided to the Company or CDP, as the case may be, addresses in Singapore for the service of notices and documents (the "**Entitled Shareholders**"). The Rights Issue will be made on the basis of three (3) Rights Shares with two (2) Warrants for every ten (10) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded. Fractional entitlements will be disregarded and will be aggregated and allocated to satisfy excess applications (if any) or disposed of in such manner as the Directors in their absolute discretion deem fit, in the interest of the Company.

For practical reasons and in order to avoid any violation of the relevant legislation applicable in countries other than Singapore, the Rights Shares with Warrants will not be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and

who have not, at least five (5) market days prior to the Books Closure Date, provided to the Company or CDP, as the case may be, addresses in Singapore for the service of notices and documents ("**Foreign Shareholders**"). The entitlements to the Rights Shares with Warrants which would otherwise be provisionally allotted to Foreign Shareholders will, if practicable, be sold "nil-paid" on the Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System (the "**SGX Sesdaq**") or dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the sole benefit of the Company. Any entitlements to the Rights Shares with Warrants not taken up for any reason will be aggregated and allotted to satisfy excess applications or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

Entitled Shareholders are at liberty to accept, decline or otherwise renounce or trade their provisional allotments of Rights Shares with Warrants and will be eligible to apply for additional Rights Shares with Warrants in excess of their provisional allotments under the Rights Issue.

The Rights Shares and the Warrants will be issued in registered form and will be listed and traded on the SGX Sesdaq under the book-entry (scripless) settlement system, upon the listing and quotation of the Rights Shares and the Warrants on the SGX Sesdaq, subject to, *inter alia*, there being an adequate spread of holdings of the Warrants to provide for an orderly market in the Warrants. Each Warrant will, subject to the terms and conditions governing the Warrants to be set out in an instrument by way of a deed poll (the "**Instrument**"), entitle its holder to subscribe for one (1) New Share at the exercise price of S\$0.10 ("**Exercise Price**") at any time during the period commencing on and including the date of issue of the Warrants and expiring on a date immediately preceding the third (3<sup>rd</sup>) anniversary of such date of issue. The Exercise Price and the number of Warrants will be subject to adjustments under certain circumstances in accordance with the Instrument. Each board lot of Warrants will comprise 1,000 Warrants. Warrants remaining unexercised after the expiry of the exercise period shall lapse and cease to be valid for any purpose.

The Rights Shares are payable in full upon acceptance and/or application. The Rights Shares, when allotted and issued, will rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares. The New Shares to be issued upon the exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares, save that they shall not rank for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which is before the relevant date of exercise of the Warrants. For this purpose, "record date" means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered in order to participate in such dividends, rights, allotments or other distributions.

Based on the existing issued and paid-up share capital of the Company of 153,500,000 Shares ("**Existing Share Capital**"), up to 46,050,000 Rights Shares with up to 30,700,000 free Warrants will be issued pursuant to the Rights Issue. In the event that all the Rights Shares are issued and all the Warrants are exercised and converted into New Shares, the share capital of the Company would increase by up to 76,750,000 Shares, representing 50% of the Existing Share Capital.

The terms and conditions of the Rights Issue are subject to such changes as the Directors, after consultation with the Manager, may deem fit. The final terms and conditions of the

Rights Issue will be contained in the offer information statement to be issued by the Company in connection with the Rights Issue (the “**Offer Information Statement**”).

### **Purpose of the Rights Issue and Use of Proceeds**

The purpose of the Rights Issue is to allow the Company to raise net proceeds of approximately S\$4.4 million (the “**Net Proceeds**”), after deducting estimated expenses of approximately S\$0.2 million. The Company intends to utilise S\$0.9 million of the Net Proceeds for the expansion of the Group’s operations in Singapore and towards any opportunities for the expansion of its operations overseas. The balance S\$3.5 million of the Net Proceeds will be used for working capital purposes.

As and when any significant amount of the Net Proceeds is deployed, the Company will make the necessary announcements and subsequently provide a status report on the use of such Net Proceeds in its annual report. Pending the deployment of the Net Proceeds for the use identified above, the Net Proceeds may be placed as deposits with financial institutions or invested in short-term money market or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit.

As and when the Warrants are exercised, the proceeds arising therefrom may, at the discretion of the Directors, be applied towards repayment of the Group’s borrowings, investment purposes, working capital and/or such other purposes as the Directors may deem fit.

The Company wishes to take this opportunity to announce that the net proceeds from its initial public offering in of S\$6.3 million have been used for their intended purposes and utilised in the manner set out below:-

- (a) approximately \$4.0 million for the expansion of the Group’s business operations in Singapore and to Malaysia, and the development of its IT services business;
- (b) approximately \$0.1 million for the expansion of the Group’s electronic signage business overseas; and
- (c) the balance of approximately \$2.2 million for working capital.

### **Undertakings**

As at the date of this announcement, Mr Loo Leong Thye and his wife, Ms Ong Sock Hwee (collectively the “**Key Shareholders**”), who collectively hold a total of 80,172,000 Shares, representing approximately 52.2% of the Existing Share Capital, have jointly and severally given to the Company irrevocable undertakings to subscribe and pay and/or procure subscriptions and payment for an aggregate of 24,051,600 Rights Shares with 16,034,400 Warrants or such other number of Rights Shares with Warrants which may be provisionally allotted to them.

In addition, the Key Shareholders have each jointly and severally undertaken to, upon the Company’s request, make and/or procure to be made excess applications and payment for the Rights Share with Warrants which remain unsubscribed as at the closing date of the Rights Issue and which shall exclude those in respect of which Mr Ng Leong Hai is to undertake to make and/or procure to be made excess applications and payment for (please

refer below). Pursuant to the aforesaid irrevocable undertakings, the Key Shareholders will undertake to subscribe and pay and/or procure subscriptions and payment for an aggregate amount of up to 31,286,932 Rights Shares with up to 20,857,954 Warrants.

It is anticipated that Mr Ng Leong Hai ("NLH"), who holds a total of 37,830,000 Shares, representing approximately 24.6% of the Existing Share Capital, would also extend to the Company an irrevocable undertaking to subscribe and pay and/or procure subscriptions and payment for 11,349,000 Rights Shares with 7,566,000 Warrants or such other number of Rights Shares with Warrants which may be provisionally allotted to him, and make and/or procure to be made excess applications and payment for up to 3,414,068 Rights Shares with up to 2,276,046 Warrants.

In view of the above irrevocable undertakings, both executed and to be provided, the Rights Issue will not be underwritten by any financial institution.

### **Approvals**

The Company will be issuing the Rights Shares with Warrants under the share issue mandate approved by Shareholders at the annual general meeting of the Company held on 18 April 2006. If the Rights Issue is not completed before its forthcoming annual general meeting, the Company will issue the Rights Shares with Warrants pursuant to the share issue mandate to be approved by Shareholders at the forthcoming annual general meeting of the Company to be held in April 2007 or such other dates to be determined in due course. The Rights Issue is subject to, *inter alia*, the in-principle approval of the SGX-ST for the listing of and quotation for the Rights Shares, the Warrants and the New Shares on the SGX Sesdaq and the lodgment of the Offer Information Statement, together with all other accompanying documents, with the Monetary Authority of Singapore.

An application will be made to the SGX-ST for permission to deal in and for the listing of and quotation for the Rights Shares, the Warrants and the New Shares on the Official List of the SGX Sesdaq. The listing of and quotation for the Warrants on the SGX Sesdaq will be subject to there being an adequate spread of holdings for the Warrants to provide for an orderly market for the trading of the Warrants. An appropriate announcement on the outcome of the application will be made in due course.

The Offer Information Statement will be lodged with the Monetary Authority of Singapore and despatched to Entitled Shareholders in due course.

### **Responsibility Statement**

The Directors (including any Director who may have delegated detailed supervision of the preparation of this announcement) have taken all reasonable care to ensure that the facts stated in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.

By Order of the Board

Loo Leong Thye  
Chief Executive Officer